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TODAY
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Clinton Ends Visit by Praising Jiang

He Cites Chinese Leader's 'Good Imagination' About Reform

By John F. Harris
Washington Post Service

HONG KONG — President Bill Clinton ended his trip to China on Friday with a flattering assessment of President Jiang Zemin, praising the Chinese leader as a visionary who is slowly nudging a repressive regime down the path to greater freedom.

Hours before an exhausted presidential delegation stumped onto Air Force One after a frenetic nine-day tour, Mr. Clinton gave a remarkable parting gift at a news conference to the man who was his host earlier at Beijing summit meeting.

Mr. Clinton's words were at once an explicit endorsement of Mr. Jiang's leadership abilities, and a tacit acknowledgment of how much he hoped the Clinton

administration is investing in his supposed goodwill to determine the success of U.S.-China relations.

Calling his counterpart "a man of extraordinary intellect" and "very high energy," Mr. Clinton said that Mr. Jiang's most important asset was a "quality that is profoundly important at this moment in our history when there's so much change going on: He has a good imagination."

"He can imagine a future that is different from the present," Mr. Clinton continued, citing "the potential we have for a strategic partnership."

While a debate is under way among China specialists here and in the United States about Mr. Jiang's ability and motives, Mr. Clinton said that during his visit he had arrived at a generous conclusion about the 71-year-old Commu-

nist ruler and his long-term designs. Far from being the plodding "transitional figure" many critics thought, Mr. Jiang is a commanding figure likely to remain in power for a sustained period," Mr. Clinton said. And far from being the cautious former engineer who always goes by the book, Mr. Clinton said, Mr. Jiang showed confidence and flexibility by extending the U.S. president's access to the Chinese people several times.

"I think it was a personal expression of confidence in the goodwill that we have established," said Mr. Clinton, who used the forums to condemn the massacres near Tiansamen Square in 1989 and to argue that China will enjoy greater prosperity if it expands individ-

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President Clinton smiling during his final press conference in China.

Clinton's Trip Gave a Boost To China's Image in U.S.

By Erik Eckholm
New York Times Service

BELJING — The Chinese, from the top leaders to the man in the street, were charmed with the nine-day visit by an American president who struck many here as vibrant and empathetic.

No matter that President Bill Clinton lectured China, gently but firmly, about the merits of freedom, called the bloody 1989 crackdown on student demonstrators wrong and praised the Dalai Lama, who is usually portrayed here as a villain. He seemed to come across especially friendly.

President Jiang Zemin's startling, self-confident decision to allow Mr. Clinton to speak on live television only added to the sense of excitement.

NEWS ANALYSIS "In the view of most people here this signals a new acceptance of China after 1989," said Zhang Xiaojun, an international relations expert at People's University.

The White House — facing mounting complaints at home that it is coddling the Chinese at the expense of American values and interests — and the Chinese — who want American trade, investment, technology and respect — had congruent interests in this state visit. That was to improve China's image in the United States, showing its diversity and social changes and growing freedoms in the personal realm.

In that, the visit appears to have been a success. And it was Mr. Jiang's insight to recognize that a major concession, such as the televising of the Jiang-Clinton news conference and Mr. Clinton's Beijing University speech, was needed to make it so.

"This prevented Clinton from coming back with egg on his face," said Roderick MacFarquhar, a China expert at Harvard University.

The visit has certainly bolstered the top status here of Mr. Jiang.

Equally important, it gives a boost to the many other pragmatic officials, from Prime Minister Zhu Rongji on down, who believe the success of their transition to an advanced, market-oriented economy depends on better ties with the undisputed economic and politi-

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Final Shot Ends Italians' Chances



David Trezeguet being acclaimed Friday by the French goalkeeper, Fabien Barthez (16), and Zinedine Zidane after penalty shoot-out.

By Christopher Clarey
International Herald Tribune

SAINTE-DENIS, France — Luigi Di Biagio's penalty kick ricocheted off the crossbar on Friday, and as the Italian midfielder fell backward with an anguished expression on his face, the French players rushed forward to share their relief with Fabien Barthez, their keeper.

After 120 minutes of sophisticated defensive soccer, a handful of legitimate opportunities and no goals, this

fratricidal World Cup quarterfinal between the host nation and the nation where many French stars earn fine livings in life had come down to this.

"I'm exhausted," said the French coach, Aime Jacquet, after his team beat Italy 4-3 on penalty kicks.

But only Coach Cesare Maldini's Italian team can rest. The French will play again Wednesday in the semifinals in the Stade de France. They will face the winner of the match Saturday between Germany and Croatia.

The Italians must face the fact that for a second consecutive World Cup, they lost on penalty kicks. In the 1994 final against Brazil, Roberto Baggio was the last Italian to shoot and sent the ball flying over the crossbar.

Luigi Di Biagio, who has been one of the Squadra Azzurra's finest performers in France, came closer to his target, but the result was the same.

Di Biagio was not the only player to miss on Friday. The French defender

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AGENDA

Sampras and Ivanisevic Win to Gain Final at Wimbledon

Pete Sampras defeated Tim Henman in four sets on Friday to move within one victory of his fifth Wimbledon tennis title in six years.

Sampras lost his first set of the tournament but relied on his serve and experience to prevail, 6-3, 4-6, 7-5, 6-3, stopping Henman's bid to become the first British men's finalist in 62 years. Sampras will play Goran Ivanisevic, a two-time runner-up, in the final Sunday.

Ivanisevic squandered two match points in the fourth set on Friday, then

outlasted Richard Krajicek, 15-13, in a marathon fifth set.

Krajicek served 23 aces in the fifth set alone, and had 42 for the match.

Now poised to play for his fifth

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Wimbledon title and 11th Grand Slam crown, Sampras did not bother with any exaggerated celebrations — he knows well that there is more work to be done.

Ivanisevic, by contrast, threw his bandanna, his racket, his towels and anything else he could find into the crowd after finally defeating Krajicek to earn his third shot at the Wimbledon title he has yet to claim.

It will be a repeat of the 1994 final, which Sampras won in straight sets.

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Florida County Evacuated

30,000 More People on Move as Wildfires Rage

Compiled by Our Staff From Dispatchers

TITUSVILLE, Florida — Northeast Florida felt like a war zone Friday as wildfires consumed brush and buildings with no hindrance from nature, and thousands of residents emptied towns threatened by the outrushing flames.

Everyone in Flagler County — at least 30,000 people — was ordered to leave as the fires showed no sign of ending their six-week sweep through the region.

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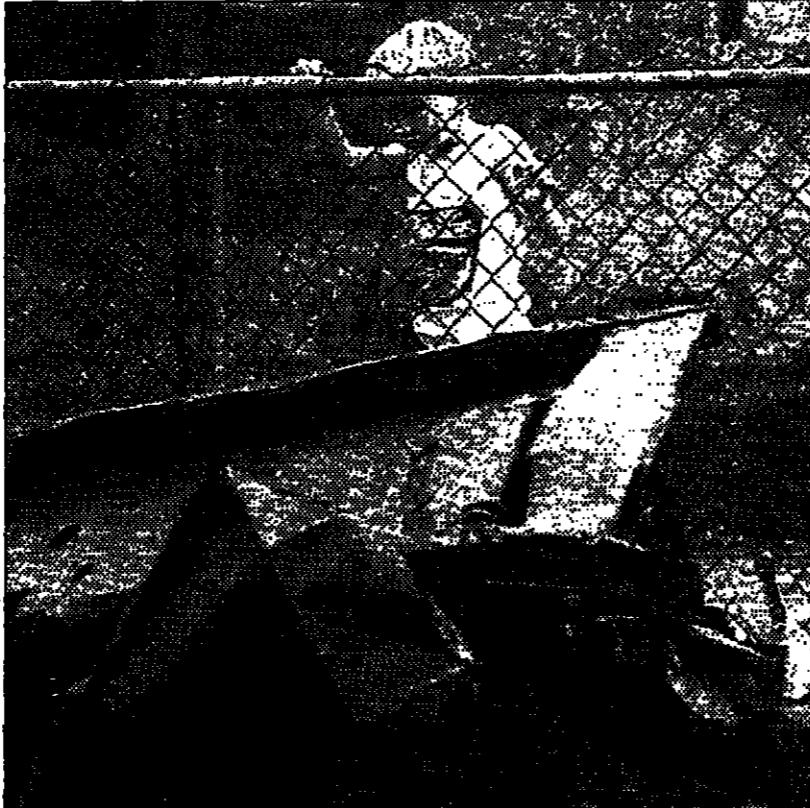
"The fire is north, south and west," said a spokesman for Federal Emergency Management Agency in Tallahassee. "A concern is that they will converge and you'll get one big fire."

A smoky haze obscured the sky as far away as Miami, 250 miles to the south.

Residents were advised to head west to the inland city of Palatka. Buses were provided, but the Red Cross recommended that people take their own cars. About 40,000 residents of Volusia and Brevard counties already had been forced out of their homes after wind-swept embers spread fires that had been consuming rural areas, state emergency management officials said.

Dozens of businesses and homes have been destroyed or damaged, and the fires kept a 140-mile stretch of Interstate 95 closed from Titusville in Brevard County to Jacksonville near the Georgia border.

The Pepsi 400 stock car race at the Daytona International Speedway, scheduled for Saturday, was postponed. It had been estimated that 200,000 spectators would attend the race.



Dustin Carver, 5, peering through a chain-link fence at the charred rubble of his neighbor's home Friday in Scottsmore, Florida.

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Threat of Conflict On Cyprus Recedes

Russia to Delay Missile Delivery

By Joseph Fitchett
International Herald Tribune

peared determined to make the weapons sale, both for the revenue and help revive flagging exports of Russian armaments.

But NATO leaders, including General Wesley Clark, the U.S. officer who commands allied forces in Europe, have said that they view the S-300 surface-to-air missiles as a flashpoint for conflict in the eastern Mediterranean.

And other NATO commanders have been warning their governments that the Turkish armed forces would launch airstrikes to knock out any Greek Cypriot facilities at which the missiles became operational — a development that could lead to war between Turkey and Greece, both members of NATO.

The risk for the alliance also stems from the probability that the missiles would bring Russian technicians to Cyprus to operate the system.

"They could use its long-range detection capabilities to track every aircraft in allied airspace in southern Europe," according to a top NATO commander.

The Greek Cypriot armed forces, whose anti-aircraft weapons currently consist of fewer than 100 shoulder-fired missiles, would need to train for several years to master the S-300 without Russian advisers, he said.

One much-discussed solution would involve persuading the Athens government to install the missiles in Greece instead of on Cyprus. The Greek armed forces, which are integrated into NATO, could run the missiles without Russian help.

If a compromise of this sort proved possible, the systems and their radars could then become part of a larger pattern of measures being discussed to improve Cyprus' air defense.

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Iran Marks a U.S. 'Crime'

10th Anniversary of Airliner Shoot-Down

By Elaine Sciolino
New York Times Service

(25 miles) into the Gulf where the plane hit the water.

"This was an act of state terrorism," said Mahdi Chamran, the deputy cultural events director for Iran's armed forces, in a speech as the slow-moving ferry made its way to its destination. He added, "This was not an accident. If it had been an accident, they would have treated the commanders differently. They wouldn't have given medals to people who had caused such an accident."

Mr. Chamran said that no amount of money would ever compensate the victims' families for their loss, and called on the Clinton administration to apologize. "If the United States wants to break down the wall of mistrust, it is important that the families receive an official apology," Mr. Chamran said.

The day was marked by both spectacle and sadness. At the airport at Bandar Abbas, visitors were shown a grisly display of color photographs of the bodies of some of the 57 children who died in the crash.

Children were dressed in green-and-white-striped T-shirts specially printed for the occasion, that showed the number of men, women and children killed in an exploding plane atop a blackened

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From Nigeria, Good News

Any Move for Democracy Could Inspire Africa

By R.W. Apple Jr.
New York Times Service

Africa experts, from Assistant Secretary of State Susan Rice on down, Nigeria counts. It is the most important country in sub-Saharan Africa, with the possible exception of South Africa.

It is big — about the size of France and Germany combined or more than twice the size of Japan. Its 110 million people make it Africa's most populous nation. It is the fifth-largest supplier of oil to the United States.

NEWS ANALYSIS But a visit from Mr. Clinton was out of the question. Ms. Rice said at the time.

The government of General Sani Abacha, one of the world's most repressive, annulled democratic elections in 1993, executed nine environmental activists in 1995 and filled jails with its opponents, including Moshood Abiola, the apparent victor in the 1993 vote.

Suspended from the Commonwealth, subjected to sanctions by the United States and others, Nigeria dug in its heels.

Outsiders' leverage ranged from limited to nonexistent, and no early change seemed possible. On a visit to Nigeria,

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AP Photo

'Bleak' Outlook for Peace as Ulster Protestants Prepare to March

Compiled by Our Staff From Europe

DUBLIN — Prime Minister Bertie Ahern said Friday he could not see a resolution to a standoff between Protestant marchers and Roman Catholic residents in Northern Ireland.

"My assessment, I have to say, is still bleak," he told Parliament.

The impasse centers on a banned Protestant march, one of many that take place at the start of the year to celebrate the community's British identity and mark a 17th-century victory by a Protestant king over a Catholic monarch.

The parade issue is Portadown, southwest of Belfast, stoked temperatures further in the British province after members of the Protestant Orange Order threatened to defy the ban and go through the mainly Catholic Garvaghy Road area this weekend.

Catholics see the marches as intimidation, and they have sparked riots in previous years.

Tension in Northern Ireland has also been

heightened by a spate of church burnings only days after the first meeting of the new Northern Ireland Assembly.

On Wednesday night, 10 Catholic churches were set ablaze — three were devastated — and overnight Thursday a Catholic primary school and three buildings with links to Protestant institutions were damaged by fire.

Both Mr. Ahern and Prime Minister Tony Blair of Britain have appealed for calm and have urged the sectarian rivals to compromise.

President Bill Clinton also urged the people of Northern Ireland on Friday not to let the dispute over the march get in the way of the wider goal of peace. The U.S. president, at a news conference concluding a nine-day visit to China, said it would be "tragic" indeed if either side felt so aggrieved by the ultimate resolution of the marching issue that they lost the bigger picture in the moment. "I think that is something that must not happen."

The president had talked by phone on Thursday to the rival Northern Irish political leaders David Trimble and Seamus Mallon about what the United States could do to help diffuse the tension.

The president said he was particularly distressed by the church burnings, noting that there had been such burnings in the United States in the last few years.

"I would just plead to whoever was responsible for this for whatever reason, you need to take the churches off the list, and you need to take violence off the list," he said.

Mr. Clinton said he planned to stay in daily contact with the parties.

In Bangor, a predominantly Protestant seaside town east of Belfast, a gunman shot and killed a man in his 40s as he walked out his front door in Kilcooley, the town's most hard-line Protestant neighborhood.

The police said both the gunman and victim

were most likely Protestant and apparently were not directly related to the sectarian showdown looming in Portadown.

Kilcooley has suffered from feuding among Northern Ireland's several pro-British paramilitary factions, which operate rival criminal networks.

The Orange Order's annual parade in Portadown this Sunday follows a route in the rural Drumcree Anglican Church past Catholic homes along the Garvaghy Road.

Anti-Orange protesters there have sat down on the road for the past three summers, forcing the authorities to decide whose rights should prevail. The confrontation has triggered violence each year.

The Portadown Orangemen have triumphed over the protesters each time, marching past hostile Catholics under police and army escort and back into the center of the otherwise Protestant town.

Assortists also attacked the homes of two isolated Catholic families on Londonderry's predominantly Protestant east side.

Police made no arrests but blamed a Portadown-based paramilitary group, the outlawed Loyalist Volunteer Force.

In apparent retaliation, arsonists torched Altnaveagh Orange Hall outside the predominantly Catholic town of Newry late Thursday, then struck two Protestant church properties on Londonderry's overwhelmingly Catholic west side — St. Peter's Anglican Church and a children's play cabin beside the Ballyarnett Presbyterian Church.

Police arrested a Catholic youth.

"You never think it's going to happen to your own church, your own building," said the Rev. Matthew Moore, pastor of St. Peter's, which had been rebuilt after being burned out during Garvaghy Road-related mayhem in 1996. (Reuters, AP)

German Unions Are Wary Of Pro-Business Member In Schroeder's 'Cabinet'

By Edmund L. Andrews
New York Times Service

FRANKFURT — Gerhard Schroeder, the Social Democratic challenger to Chancellor Helmut Kohl in Germany's national elections in September, has gone out of his way to polish his image as a leader who would be good for business.

But when Mr. Schroeder personally introduced members of his potential future cabinet this past week in Berlin, one person was conspicuously absent: the man who would be his economics minister.

And that was no accident. Jörg Stollmann, a 43-year-old, self-made millionaire who started and recently sold his own computer-networking company, had just left for vacation. Before leaving, Mr. Stollmann had announced that he would not play a role in the election campaign or be a spokesman for the Social Democrats' economic program.

"I am not a politician and I'm not participating in the election campaign," Mr. Stollmann said in an interview. "There are others who are more capable."

Less than three months before the vote, Germany's Social Democrats have a strong chance of beating Mr. Kohl and his center-right Christian Democrats for the first time in 16 years.

But the strains between the party's left-leaning traditionalists and Mr. Schroeder's comparatively pro-business wing are also becoming more apparent. Germany's powerful union leaders who hold sway in the party have been infuriated by Mr. Stollmann's nomination, accusing him of being hostile to workers. Rank-and-file party members, meanwhile, have been rattled

by the elevation of an outsider who plainly comes from a different world.

Mr. Schroeder has borrowed unabashedly from the election strategies of Prime Minister Tony Blair of Britain and President Bill Clinton, packaging himself as a pro-business Social Democrat who could do more than his conservative rivals to stimulate the German economy and reduce sky-high unemployment.

Naming Mr. Stollmann, a political outsider who brought an aura of Silicon Valley-style success, has been his most visible gesture toward business. A graduate of Harvard Business School who worked for a time at the Boston Consulting Group, Mr. Stollmann started his own company at the age of 29. Last year, the company, Comunet AG, which provides computer-networking services, had sales of about \$1 billion and was recently sold to General Electric Co. of the United States.

Until recently, he had never held any political office and does not belong to a political party. The closest he came to politics was three years ago, when he ran a prominent newspaper campaign to rebut critics who said Germany had become too expensive, lazy and rigid for business.

"A land without a future? Rubbish!" said one ad in bold block letters. "Sleeping government workers? Non-sense!"

Aside from those opinions, Mr. Stollmann is a pragmatist. "The days of ideological battles between left and right are over," he said. "The issue is having the political leadership and the political process that can lead to renewal. I can bring a certain leadership to bring together some of the best minds in the country."

But Mr. Stollmann immediately



Residents of San Martino, near Palermo, trying to prevent flames fed by strong winds from spreading Friday. About 300 people were evacuated. Temperatures in Sicily soared as high as 48 centigrade.

touched off hostility within the party. By pointedly distancing himself from Social Democratic policies, he aroused suspicions of disloyalty.

As if that were not enough, Mr. Stollmann has been openly skeptical about one of the Social Democrats' core ideas: reducing joblessness through a broad "Alliance for Work" between government, labor and industry. Party officials say political leaders' might offer to loosen regulations, and unions would be willing to restrain wage increases in return for more ambitious corporate hiring.

"We do need what Americans might call a 'change coalition,'" Mr. Stollmann said. "But that kind of change coalition cannot decide how many new jobs are going to be created. We are a market economy, after all."

German union leaders were outraged by what they took to be Mr. Stollmann's dismissive attitude.

"Mr. Stollmann obviously has a lot to learn when he discredits the Alliance for Work as meaningless," said Franz-Josef Moellenberg, chairman of the food workers' union.

"We hope he learns quickly. If not,

he is the wrong man for the job."

Mr. Schroeder has not yet betrayed any concern. "I expressly wanted him to keep his own mind, because I rely on his independence," he said at a party gathering last Sunday.

Mr. Stollmann acknowledged that he has already run afoul of traditionalists. "The people who don't like these ideas are playing the old-fashioned political game," he said.

"They are trying to spread distrust between me and the Social Democratic Party members, and I need their trust."

U.K.'s Bass Recalls Contaminated Beer

Reuters

LONDON — Bass Brewers on Friday recalled millions of cans and bottles of beer contaminated with chemical coolant following a fault at one of its plants.

New supermarket chains scrambling to clear shelves and check stocks while shares in the company fell to 1,135 pence in London from 1,147 pence Thursday.

Most dealers agreed the long-term

impact on the stock of what one described as a "glitch" would be limited.

Bass Brewers said it had recalled around half its weekly production of 17 million cans as a precautionary measure after some of the drinks became contaminated with the coolant, mono-propylene-glycol.

Only a small number are expected to be affected by the coolant, which gives the beer or lager an unpleasant taste.

WEATHER

Europe

Today: High 79° Low 62° CDF

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Arnett Just a Talking Head in CNN Fiasco

By Howard Kurtz
Washington Post Service

WASHINGTON — The familiar face that viewers saw describing CNN's nerve gas story belonged to Peter Arnett, the Pulitzer Prize-winning correspondent who has reported in war zones from Vietnam to Iraq.

But Mr. Arnett, who was given a stern reprimand for his role in the report, did not interview most of the sources for the broadcast or write the words that would stir a nationwide controversy. As is common on many network magazine shows, he was the front man for conclusions compiled by unseen minions.

"He almost wasn't involved in the

reporting and the research," said a CNN executive who asked not to be named. "It was mainly a case of him being flown in to read a script. He basically did what he was told to do."

CNN/USA's president, Rick Kaplan, said: "Peter Arnett's role was not the same as April Oliver," the main producer on the story. "He relied a great deal on the briefing book he was shown."

Floyd Abrams, the attorney who investigated the matter for CNN, did not even bother to interview Mr. Arnett.

Why, then, was he reprimanded? The CNN News Group chairman, Tom Johnson, wanted to send a mes-

sage that correspondents are responsible for what they read, the network executive said.

The network dismissed Ms. Oliver and a second producer of the report, Jack Smith. Pamela Hill, senior executive producer of the program "NewsStand: CNN & Time," resigned, saying she supported the retraction and now believed that "we were wrong to air the report."

Mr. Johnson issued the retraction based on the findings of a report by Mr. Abrams, who concluded that the broadcast was "not fair" because the journalist "ignored or minimized" information that conflicted with their "deeply held beliefs" that nerve gas was used. Mr. Abrams described the

story as "a bad mistake," adding: "There was not sufficient attention paid to the sources who said 'no.'"

The episode underscores the extent to which television, as a collaborative enterprise, is only as strong as its weakest link. And it shows the temptations facing new magazine show to separate itself from the crowd with a sensational report. But it also illustrates how determined journalists pursuing a sensitive story can, despite conflicting evidence, convince their bosses that they have the goods.

CNN's retraction of its June 7 report follows a stunning series of media blunders. The Boston Globe newspaper and the New Republic magazine have each apologized for outright fabrications by a member of their staffs. And the Cincinnati Enquirer newspaper has retracted an article about Chiquita Brands and agreed to pay the company more than \$10 million after accusing its reporter of stealing Chiquita's voice-mail messages.

But CNN's nerve gas report involved no fabrications or thievery. The two main producers strongly believed, and still believe, that it is true. But the network's top brass has now disavowed it, containing too many weaknesses and contradictions that were not shared with viewers — or with the executives.

The CNN-Time report was hardly rushed on the air; it followed an eight-month investigation. In the highly compartmentalized world of television, the story was pursued not by CNN's Pentagon reporter but by Ms. Oliver, a former "MacNeil/Lehrer NewsHour" producer who joined CNN's "Late Edition" six years ago and later was shifted to its "special assignment" magazine unit.

When it came time to persuade her supervisors to stake CNN's reputation on her research, Ms. Oliver assembled a 150-page briefing book of her interviews and documents. But Mr. Abrams said the volume offered "a rather upbeat and optimistic overview of what the sources were saying."

The briefing book was reviewed by the managers of "NewsStand" but never reached Mr. Johnson and Mr. Kaplan. The two top executives say they never knew that a platoon leader who was a key source for the program had not mentioned the use of nerve gas in a book he wrote 15 years ago.

"We asked a lot of questions and we relied on total assurances and reassurances of people who vetted and produced the story," said Mr. Kaplan. "The things we didn't ask are things we didn't know to ask."

Some Republicans may be more willing to speak out against Mr. Clinton after his return home.

Republicans Lose China Issue

Success of Clinton's Tour, Party Heads Say, Weakens Critics

By Richard L. Berke
New York Times Service

WASHINGTON — Even before President Bill Clinton's return from China, many prominent Republicans conceded the trip has been such a political success that it could deprive their party of what might have been a potent election-year issue.

In a series of interviews, Republicans said they still have serious questions about the wisdom of Mr. Clinton's policy approaches toward Beijing. But as a political matter, there seems to be a consensus among Republicans that, at least for now, President Clinton has overcome fear among Democrats that the trip would expose the president to damaging attacks on issues like human rights, exporting satellite technology to China and campaign finance irregularities involving Chinese contributions.

"I think it was a huge success," said Jack Kemp, the 1996 Republican vice presidential nominee, who faults the president for seeming to side with China against Japan. "That presents a problem to those Republicans or conservatives who want to make it an issue. I can't imagine that there's any great political benefit to be derived, because the president handled himself very well."

James Lilek, who was ambassador to China during the Bush administration, put it this way: "Clinton got control of the agenda. He ran

it like a campaign. And he made it into a political success story."

Though he thought the president has "swept under the rug" the issue of Chinese military modernization, Mr. Lilek said he has advised Republican congressional leaders to hold their fire and rethink how to handle China as a political issue.

"I've counseled them to pull back on this one. Don't hit Clinton at his high point, or it's going to sound like sour grapes."

Weeks ago, the House speaker, Newt Gingrich, called on Mr. Clinton to postpone the trip until the Justice Department determined whether two U.S. companies gave sensitive missile information to Beijing in 1996.

But speaking to reporters in San Antonio on Wednesday, where he was attending a Republican fund raising event, he praised Mr. Clinton. "I think the president did a pretty good job talking on Chinese radio and TV," Mr. Gingrich remarked. "It's less expensive to be friends than to be enemies."

Rich Galen, a phrase-maker for Mr. Gingrich, said, "They set the bar so low for success that the arrival ceremony looked like a limbo dance — and he did better than expectations. You have to say this has been a successful trip for the president."

The governor of Colorado, Roy Romer, who is chairman of the Democratic National Committee, said of the Republicans: "I think

they've lost it as an issue. People understand that one-quarter of the world's population is sitting in the middle of that Asian economy. We've got to know them better, and they've got to be partners of ours."

One explanation for Mr. Gingrich's praise is that he has been trying to repair relations with corporate executives who have soured on giving money to Republicans and who have championed international trade with China.

The positive notices from Mr. Clinton's trip have already affected Republican legislative strategy. The Senate was expected to vote next week on a package of amendments sponsored by Senator Tim Hutchinson, Republican of Arkansas, that would, among other things, deny travel visas to Chinese officials involved in forced-abortion policies and prohibit new U.S.-backed international loans to China.

But on Thursday, Senate officials said the vote had been put off by at least a week, partly out of concern that the amendments might not win a positive reception in the aftermath of the summit.

Many Republicans and Democrats as well do not expect the relative silence on Mr. Clinton and China to last. Several Republicans said that would depend in part on what polls showed about public reaction to the trip.

Some Republicans may be more willing to speak out against Mr. Clinton after his return home.

Away From Politics

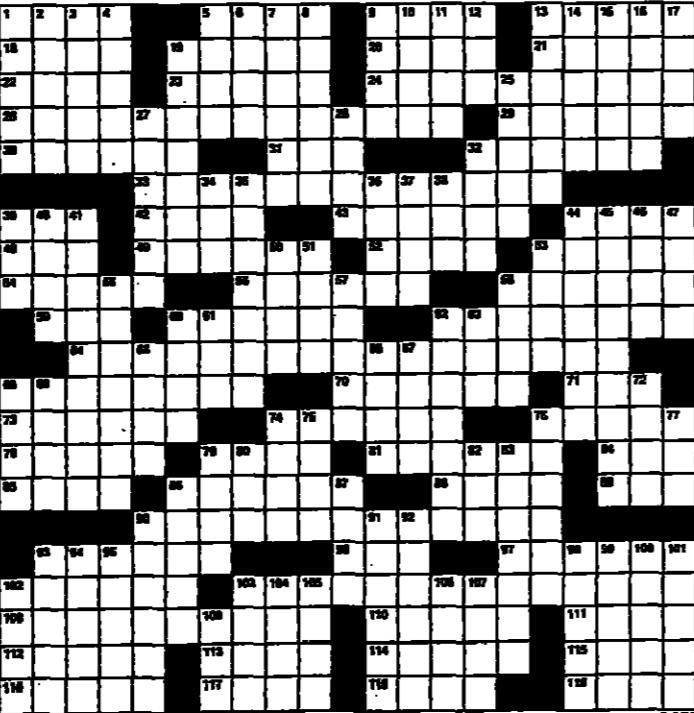
• The death rate for U.S. infants between four and one year old declined 30 percent from 1989 to 1994. The Centers for Disease Control and Prevention attributed much of the drop to increased awareness of Sudden Infant Death Syndrome, the leading cause of death among children in that age group. (AP)

• Fifty-eight more victims of bacteria-tainted oysters from Galveston Bay have been identified, bringing the total to 245 cases since June 1, a spokesman for the Texas Department of Health said. (AP)

• Identical twins were sentenced in Santa Monica, California, to long prison terms after being convicted of rapes they committed and videotaped after giving women Ritalin, the so-called date-rape drug. George Spitzer, 41, was sentenced to 30 years in prison, while his brother, Stefan, received a term of 37 years and two months. (Reuters)

• The defense has rested its case in the trial of Mikhail Markhasev, who is accused of killing Ennis Cosby, son of the actor Bill Cosby. The defendant's mother testified that her son was helping her move at the time of the killing, but prosecutors in Santa Monica, California, showed that Vickianna Markhasev had initially told the police that her son went out at 8 P.M. on Jan. 15 and did not return until the next day. (AP)

DROP IT! By Joe DiPietro



Senators Seek Sanctions Flexibility

Some Fear That Enfeebled Pakistan Might Sell Nuclear Technology

By Thomas W. Lippman
Washington Post Service

WASHINGTON — Negotiations are under way among key members of the Senate on a measure that would soften the impact of mandatory economic sanctions that the United States imposed on India and Pakistan after they tested nuclear weapons in May.

Under current law, the sanctions were mandatory and automatic, with no provisions for a presidential waiver or termination, because Congress assumed they would deter potential nuclear testers and never have to be invoked.

But now that the tests have occurred and the sanctions are in place, some senators and officials of the Clinton administration fear that their inflexibility ties the administration's hands diplomatically and, in the case of eco-

nomically feeble Pakistan, could provide an incentive to sell nuclear technology and materials to raise money.

"We not only believe but know that in its policy on transferring material to other countries, Pakistan has been very restrained," Deputy Secretary of State Strobe Talbott said at a meeting Wednesday sponsored by the Union of Concerned Scientists. "They have told us in recent days this restraint will continue."

But, he added, it is essential to head off further bomb and missile tests in South Asia because "vertical" proliferation — enhancement of nuclear weapons capabilities within a country — would be followed by "horizontal" proliferation, to other countries.

Senator Sam Brownback, Republican of Kansas and chairman of the Senate Foreign Relations subcommittee on the Near East and South Asia, and Senator

Charles Robb, Democrat of Virginia, the ranking minority member, returned from a trip to South Asia this past week convinced that the sanctions law must be modified.

The sanctions, which in combination with other moves by the United States and its allies have virtually shut off access to international financing for India and Pakistan, "hurt Pakistan much more than India, and Pakistan is much less culpable" because India tested first, Mr. Brownback said.

He said Pakistan "wants to be a strong ally of the United States and we're pushing them away. We've got to provide the president with some waiver authority."

Mr. Robb is more sympathetic to India, Democratic staff aides said, but generally shares Mr. Brownback's view that some modification of the sanctions would increase U.S. diplomatic flexibility in trying to persuade the South Asian rivals not to escalate further.

"The trick is to find a face-saving way out that makes the sanctions short-term but doesn't make it look like you've caved in" on nuclear proliferation, a staff member said.

Senator Slade Gorton, Republican of Washington, said on a radio show June 2 that he and Senator Pat Roberts, Republican of Kansas, "will do everything we can at an early time in the Senate to end the India and Pakistan embargoes."

Other senators are also looking for legislative vehicles, probably spending bills, to which they can add modifications of the sanctions, staff aides said.

"We have a pretty good head of steam" in support of modification, Mr. Brownback said. But he also said he returned from the region fearful that both countries are preparing for a new round of flight tests of their ballistic missiles, a development he said could shut off momentum in Congress in favor of modifying the sanctions.

Ahmad Karnal, the Pakistani representative to the United Nations, said in an interview that the authorities had been able to track down Mr. Khan's identity through the correct family address on the identification card he had produced — which the official said was a forgery — and his photograph.

Mr. Karnal, the lawyer who had arranged Mr. Khan's many interviews, said "we expected this kind of response from the Pakistani government."

"My client has up-to-date, accurate and specific details on the nuclear missile program and other important details concerning their nuclear weapons," Mr. Wildes maintained.

The State Department spokesman, James Rubin, said Thursday that "we have no information to support this person's claim that Pakistan was planning a pre-emptive strike on Indian nuclear facilities."

Mr. Sheikh said that Mr. Khan had worked for the company between August 1993 and November 1997. He had a bachelor's degree in business practices, Mr. Sheikh said, and made about \$120 a month.

The Pakistan Atomic Energy Commission issued a statement calling Mr. Khan's story "baseless, malicious, fabricated and concocted."

"No such scientist of any such name has ever worked in any of the Pakistan Atomic Energy Commission's sensitive nuclear installations," the statement said.

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Russia and China "Concerned"

Russia and China said Friday they were concerned about threats to security in South Asia after recent nuclear tests conducted by India and Pakistan, Reuters reported from Almaty, Kazakhstan.

Russia's foreign minister, Yevgeni Primakov, and China's president, Jiang Zemin, met at a regional security conference in Almaty, also attended by the former Soviet states of Kazakhstan, Tajikistan and Kyrgyzstan.

The five nations signed agreements in 1996 and 1997 on reducing their armed forces along the border between China and the former Soviet states. Mr. Primakov said the pacts were "especially important in today's conditions, when nuclear tests in India and Pakistan have taken place."

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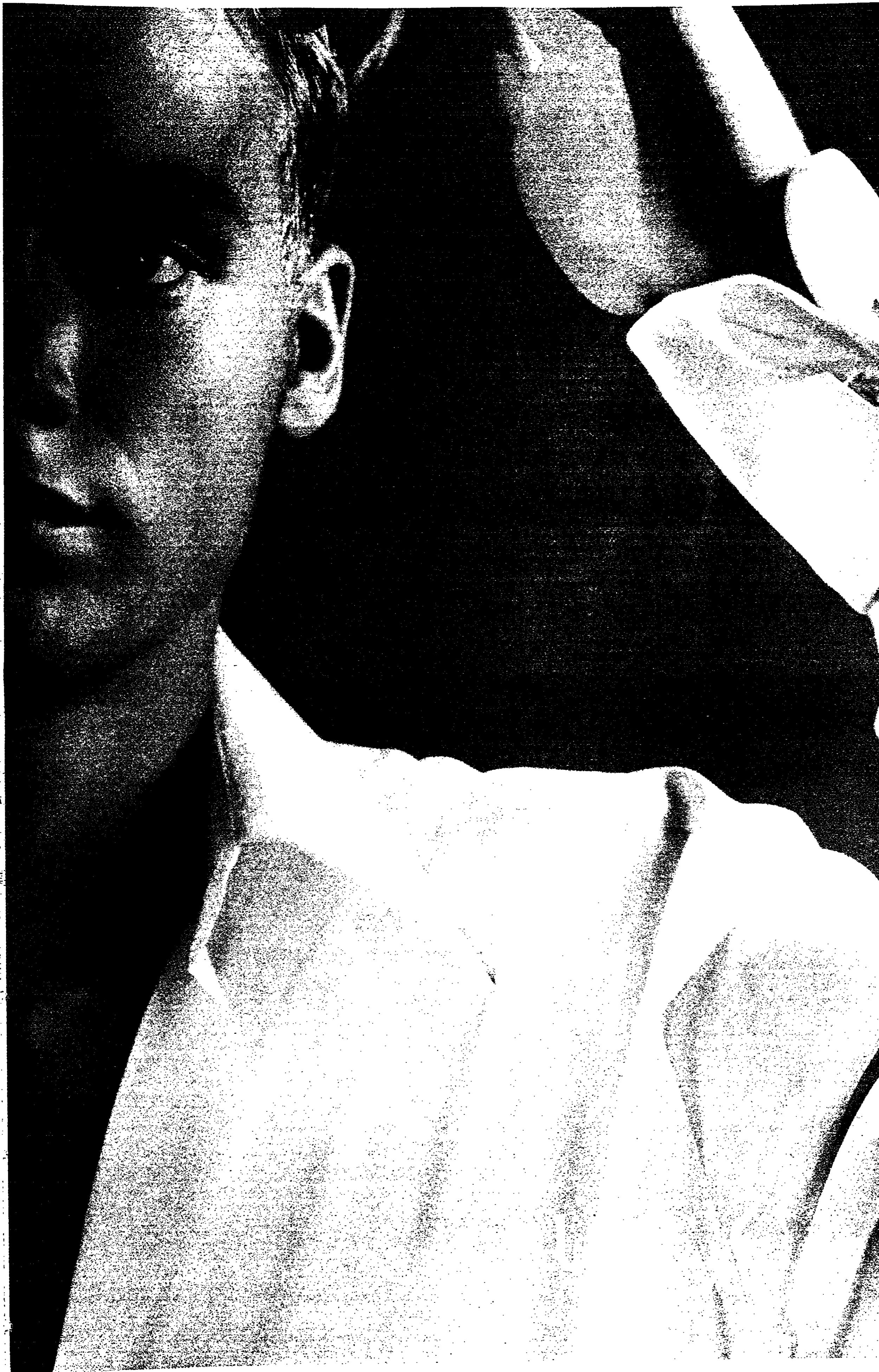
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AP Photo/SAO

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Let Milosevic Know

Events are challenging the American effort to promote a negotiated settlement in seething Kosovo. As earlier in the Balkan wars of the 1990s, the chief difficulty lies in determining an attitude to the Serbs and specifically to Slobodan Milosevic, president of rump Yugoslavia, which includes Serbia, of which Kosovo is part. Mr. Milosevic's depredations and deceptions have made him a detested figure to the United States and its European allies. But he has shrewdly looked for ways to reduce his isolation by making himself useful to the allied powers.

In Kosovo, for instance, Mr. Milosevic was at first the plain villain; his outrages against civilians fueled Western talk of direct NATO action. But that was before Western apprehensions started to grow about the Kosovo Liberation Front, a separatist-minded guerrilla group that has been gaining military ground against the Milosevic forces and political ground against pacifist Ibrahim Rugova, earlier the West's chosen ethnic Albanian Kosovo interlocutor. Mr. Milosevic has since sought to adjust to the American reach for a Kosovo negotiation and to lower his military profile in the province.

As a result, in official American eyes the threat posed by President Mi-

losevic has diminished against the threat posed by the Kosovo Liberation Front. The Front not only presses the war in Kosovo but reaches out provocatively to inflammatory Albanian populations beyond.

The American response is to call for restraint from Kosovo's armed rebels as well as from the Milosevic forces, and to offer the guerrillas a place at the negotiating table. This puts the United States in the uncomfortable position of squeezing the moderates among Kosovo's Albanians and raising the stakes of a group, the Liberation Front, that the State Department not long ago dismissed as a "terrorist organization." Washington's hope is to tame the rebel military campaign — the very goal of Mr. Milosevic.

At the moment the NATO countries have backed away from threats of NATO intervention to protect Kosovar civilians from Mr. Milosevic. But his attacks continue. He should not be allowed to conclude that the alliance's care for innocents is at an end.

The parties to the Kosovo dispute start from widely divergent positions: Negotiations will be slow going. But those talks must be pressed — to save lives and to head off a regional war.

—THE WASHINGTON POST.

CNN Teaches Caution

The prelaunch publicity for a new Time-CNN collaboration, called "NewsStand," made its first piece sound like the daring international scoop of every journalist's dreams. But Thursday, less than a month after CNN and Time jointly charged that America secretly used nerve gas on a mission designed to kill defectors during the Vietnam War, they took it back.

In a 54-page analysis of the reporting for the two news organizations, the First Amendment lawyer Floyd Abrams concluded that the charge was "inappropriate." CNN, Time, and their parent company, Time Warner, released the devastating Abrams report and began trying to explain, in a very public way, what went wrong.

This was a story that was pushed far beyond its limits. Hazy quotes from an 85-year-old former chairman of the Joint Chiefs of Staff, Admiral Thomas Moorer, that did not support the piece; barracks gossip and unreliable reconstructed memories all were stretched into a dramatic but improved charge.

Looking at transcriptions of notes and interviews, Mr. Abrams said it was clear that investigators at CNN fervently believed, and probably still believe, that their story was correct. But as the report points out, they did not have enough evidence to make such explosive charges. Most important, they were so intent on proving their case that they did not listen closely enough to the many sources who insisted that their premise was not true.

It is an old problem in journalism, and many question how the professionals at CNN and Time let it re-

surface for such an important piece. In the case of CNN, which did the bulk of the reporting, three top investigators announced that they were leaving the company. Time magazine, which published CNN's article without running it through its own reporting and editing system, lost editorial control, a bad idea made even worse by the sensitivity and magnitude of this flawed revelation.

Finally, there is an underlying question about whether these two media organizations were driving too hard to make a splash in today's saturated market, a frenzy that perhaps led to cutting corners and hyping the piece.

In some ways, this has been a season for media embarrassments. The Boston Globe, owned by The New York Times Co., recently dismissed a columnist after editors learned she had been inventing people and eloquent quotes. The New Republic dismissed a reporter who fabricated a political underworld that seemed, and was, too outrageous to be true. And The Cincinnati Enquirer this week paid Chiquita International Brands an astonishing \$10 million, retracted a series about the fruit company and discredited the reporter in charge.

For all these organizations, the damage will linger for some time. For CNN and Time, it will inject a heavy note of caution into future collaborations. But in each case, the journalists had the right instinct to declare error openly and quickly. That is the media's road to restoring credibility after making such grave mistakes.

—THE NEW YORK TIMES.

Starr Needs to Finish

Kenneth Starr, the independent prosecutor, has every right to appeal the dismissal this past week of the tax evasion charges he brought against former Associate Attorney General Webster Hubbell. The decision by Judge James Robertson of U.S. District Court seems questionable in several respects.

But Mr. Starr should heed the larger message of this and other adverse rulings of recent weeks: that the investigations of President Bill Clinton must soon be brought to a conclusion.

Judge Robertson's central findings that Mr. Starr exceeded his authority under the independent counsel statute and reengaged on his immunity deal with Mr. Hubbell are closer questions legally than his harshly worded opinion might suggest. Mr. Starr's use of financial documents obtained from Mr. Hubbell under a limited grant of immunity to build the tax case against him is troubling. But whether higher courts will agree that it was a violation of Mr. Hubbell's Fifth Amendment rights is uncertain. Supreme Court decisions on the rule against self-incrimination have limited its reach.

Judge Robertson mistakenly suggests that the prosecution of Mr. Hubbell stays too far from Mr. Starr's legal mandate to investigate the Whitewater affair. Since Mr. Hubbell, a former law partner of Hillary Rodham

Clinton, knows a great deal about the Whitewater matter, it does not seem unreasonable for Mr. Starr to pursue the suspicion that he received hush money from Clinton friends.

But in seeking further judicial review of these issues, Mr. Starr ought not to lose sight of the broader picture. The various legal matters involving Mr. Clinton need to be resolved. The impatience of various federal courts with Mr. Starr's tactics has added to national unease about the open-ended nature of his inquiry. The office of independent counsel was established not only to assure the unfettered investigation of charges against the highest government officials. It was also created to ensure that a prosecutorial judgment be rendered in a timely manner. In the case of Mr. Clinton and Mr. Starr, that time is rapidly approaching.

—THE NEW YORK TIMES.

Other Comment

Kosovo Cannot Wait

A strong case for intervention against Serbia rests on the threat to international peace. It would be highly desirable were the Security Council to give its approval to NATO for appropriate action.

—The Economist (London).

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Internet address: <http://www.iht.com>

Editor for Asia: Michael Richardson, 3 Canterbury Rd., Singapore 118000. Tel: (65) 472-7768. Fax: (65) 224-2354.
Mng. Dir. Asia, Terry Damer, #201, 191 Jalan Radin, Hong Kong. Tel: 552-5022/188. Fax: 552-3971/1979.
Gen. Mng. Germany: J. Schäfer, Friedrichstr. 13, 8053 Munich. Tel: (089) 527-0700. Fax: (089) 527-0709.
Fr. U.S.: Ann Blithman, 850 Third Ave., New York, NY 10020. Tel: (212) 723-3990. Fax: (212) 723-5265.
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A U.S.-China Partnership for Prosperity and Security

By Bill Clinton

The writer is president of the United States.

HONG KONG — The security of the United States is enormously enhanced by a positive partnership with a prosperous, stable, increasingly open China, working with us, as it is, on the challenges of South Asian nuclear issues, the financial crisis in Asia, the Korean peace effort, and others.

Building economies and people, not weapons of mass destruction, is every nation's best path to greatness. The vast majority of countries are moving away from, not toward, nuclear weapons. They are also moving away from the notion that their influence in the future will be defined by the size of their military, rather than the size of their gross domestic product and the percentage of their citizens who know a great deal about the world.

India and Pakistan's recent nuclear tests, therefore, buck the tide of history. This is all the more regrettable because of the enormous potential of both countries. Each could achieve real, fundamental greatness in the 21st century, but it will never happen if they divert precious resources from their people to develop nuclear weapons and huge conventional military arsenals.

The United States has worked hard

with China and other leading nations to forge an international consensus to prevent an intensifying arms race on the Indian Subcontinent. We do not seek to isolate India and Pakistan, but we do seek to divert them from a self-defeating, dangerous and costly course.

We encourage both nations to stop testing, sign the Comprehensive Test Ban Treaty and settle their differences through peaceful dialog.

The second lesson we should take into the future is that nations will only enjoy true and lasting prosperity when governments are open, honest and fair in their practices, and when they regulate and supervise financial markets rather than direct them. Too many booming economies, too many new skyscrapers now vacant and in default, were built on shaky foundations of cronyism, corruption and over-extended credit. This undermined the confidence of investors — with sudden, swift, and severe consequences.

The financial crisis has touched nearly all the nations and households of

Asia. Restoring economic stability and growth will not be easy. The steps required will be politically unpopular and will take courage. The United States will do all it can to help any Asian government willing to work itself back to financial health. We have a big interest in the restoration of growth, and in starting the flows of investment back into Asia. Roughly a third of our exports and four million American jobs depend on our trade to Asia.

The United States supports China's economic growth through trade. We purchase 30 percent of China's exports — far more than any other country and far more than our percentage of the world's GDP. There is a very limited time period in which we can absorb all the exports of Asia to try to do our part to keep the region's economy going. While we may enjoy a brief period of surging extra investment in the United States as a result of the Asia's difficulties, over the long run stable growth everywhere in the world is the best prescription for stable growth in America.

We are seeing some positive steps. On Thursday, Japan announced the details of its new and potentially quite significant banking reform proposals. We welcome them. Thailand and South Korea are taking decisive action to implement their economic reform programs with the support of the International Monetary Fund. Indonesia has a fresh opportunity to deepen democratic roots and address the economic challenges it faces.

Thanks to the leadership of President Jiang Zemin and Prime Minister Zhu Rongji, China has followed a disciplined, wise policy of resisting competitive devaluations that could threaten the economy of China, the region and the world. Hong Kong can help to lead Asia out of turbulent times as it contributes to China's astonishing transformation by providing investment capital and expertise in privatizing state enterprises and sharing legal and regulatory experience.

This comment was adapted by the Herald Tribune from a speech Mr. Clinton gave Friday to community and business leaders in Hong Kong on the last day of his visit to China.

Unrealistic Premises Will Sink This 'Beijing-Washington Axis'

By Michael Yahuda

LONDON — The new partnership that Bill Clinton claims to have forged with China is flawed in two ways.

First, it rests on an exaggeration of what was accomplished so as to excite expectations that cannot be realized. As a result, disappointment — if not yet another crisis in Chinese-American relations — cannot be far away.

Second, by placing engagement with China at the center of his strategic approach to Asia, Mr. Clinton has antagonized India without offering it a way into the Nuclear Nonproliferation Treaty except on Chinese terms that New Delhi can only find demeaning and threatening to its strategic interests.

The new partnership appears to rest on a view of China and its prospects that bears little resemblance to reality. Far from being "an island of economic stability" in the Asian economic storm, China's seeming calm relies on very shaky foundations. The economy is slowing, unemployment is increasing, and brakes are being applied to

the much touted reforms of state-owned companies and the banking system.

Indeed, the day before Mr. Clinton arrived in China, in a reverse of previous reformist policy, the banks were instructed to resume lending to state enterprises. With domestic demand waning and inventories of unsold goods rising, it is hardly surprising that the Chinese side showed even less interest than before in opening their market to more efficient foreign competition. As a result, Mr. Clinton and his officials got nowhere on trade issues or in opening the Chinese market.

The live broadcasts of Mr. Clinton's calls for greater recognition of universal human rights, and of his debates with President Jiang Zemin about the brutal suppression of the student-led pro-democracy movement in Beijing's Tiananmen Square in June 1989, were an important breakthrough. Yet they did not stop the

United States from making another crackdown should social turbulence erupt as a result of China's deep-seated problems.

The history of U.S. relations with China is littered with examples of how exaggerated American expectations were

followed by embarrassment. It is not in the interest of either China or the United States that the quality of their new relationship should be hyped up in the way that the Clinton administration is encouraging.

Perhaps most dangerous of all is the talk of working with China to allay the tensions in South Asia.

Not a year has passed since Mr. Clinton became president without one of the U.S. intelligence agencies claiming to produce evidence of Chinese supplies of nuclear weapons-related materials and know-how, and of missiles, to Pakistan. If Beijing was not so keen on denying this, it might have explained that it served China's strategic purpose to offend India's conventional military superiority over Pakistan.

The United States has an interest in trying to limit the damage to the nonproliferation regime. But having taken so little interest in Indian concerns for so long, Mr. Clinton and Secretary of State Madeleine Albright can hardly expect the democratically elected government of India to pay attention to their definitions of Indian national security interests when they are at one with those of China — a source of long-time strategic concern for New Delhi.

The United States should be paying more attention to improving the quality of the communication between India and China. The writer, professor of international relations at the London School of Economics and Political Science, contributed this comment to the International Herald Tribune.

It's July 4, and the Voters Probably Aren't Thinking of Nov. 3

By George F. Will

However, as turnout declines, the potential for volatility increases, because the decline may not be symmetrical — may not be evenly distributed among Republicans and Democrats. And according to the Committee for the Study of the American Electorate, the decline of turnout continues.

In 1996 record sums were spent by parties and interest groups to excite an electorate swelled by a net increase of 5 million registered voters. The electorate, however, remained unstimulated.

The 1996 decline of turnout produced the lowest turnout since the enfranchisement of women in 1924. This year there was a surge in voting in June in

California, where about one in nine American voters lives, because of that state's new open primary and contests for the Democratic gubernatorial nomination, the Republican Senate nomination and several controversial initiatives.

Still, the Committee for the Study of the American Electorate reports that, nationwide, participation in statewide primaries held through the middle of June indicates that when all primaries have been held, participation will have been the lowest ever — and November may see a record low turnout.

November may be largely an "election of the bases," dominated by the motivated, ideologically bases of the parties. If "swing" voters stay home in droves, there could be a paradoxical result: At a moment of national contentment, campaigns could become ideologically hot in order to energize the bases. But each party has its own problem.

The Democrats' is that in off-year elections turnout drops sharpest among low-income and minority voters. The task of making an ideological appeal to such groups is complicated by the fact of the country's conservative mood.

The Republicans' problem is twofold. First, in the last off-year elections, Republicans triumphed by promising that, given a congressional majority, they would transform Washington.

Two years ago they did end two large entitlement programs

dating from the 1930s: agricultural price supports and Aid to Families with Dependent Children.

But perhaps their emblematic transformation (emblematic of their own transformation, going native) has been of the Committee on Transportation and Infrastructure, which now has a swollen membership of 75, one-sixth of the House. This year it produced the creaking highway bill: an entitlement that can be called Aid to Politicians with Dependent Construction Contractors.

Second, the Republican base is increasingly composed of "social issues conservatives"

who are increasingly skeptical of the pertinence of politics to what concerns them most: the condition of the culture. They may half-consciously hanker for a William Jennings Bryan of the right: In his long career, Mr. Bryan spent little time in public office (two terms in the House, 27 months as secretary of state) but for two decades he was the foremost Democrat, an inspiring preacher.

If few voters show up at the polls in November, it may be because, as Jonathan Rauch says, "What do you do when your car is up to its windshield in mud? You get out and walk. That's what many Americans are doing now in response to government's inability to get them where they want to go."

However, there is much more to civic engagement than just voting. Mr. Rauch notes that since 1980, while voting has been declining, the portion of Americans volunteering with charitable or social service groups has risen from about 39 percent to more than half, and per capita charitable giving has risen a remarkable 40 percent.

This is not the behavior of a nation sunk in apathy. Rather, it reflects only a limited resignation — what Mr. Rauch calls "enlightened defeatism" about government's infirmities.

Otherwise, Americans are getting on with their lives with a spring in their steps.

Washington Post Writers Group

IN OUR PAGES: 100, 75 AND 50 YEARS AGO

1996: Battle Suspended

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ART



From "Paul Gauguin: The Lost Paradise" in Essen, one of many exhibitions honoring the painter this year.

Gauguin's Voyage to Paradise

By David Galloway

ESSEN, Germany — With flowing hair and an outlandish costume inspired by Buffalo Bill's Wild West Show, the French visitor disembarked in Tahiti in 1891, eager to imbibe the island's sensual bounty. Like many a tourist besotted by fantasies of uninhibited, low-budget thrills, Paul Gauguin abruptly plunged into the uncharted gulf between dream and reality.

Missionaries, merchants and colonial bureaucrats had long since left their mark on the "unspoiled paradise" hymned by such 18th-century explorers as Captain James Cook and Louis Antoine de Bougainville. Prices were high, and even remote villages knew the ravages of alcoholism, syphilis and tuberculosis.

Denied critical and financial recognition in France, Gauguin had dreamed of an "atelier of the tropics," where living was cheap and where new, even revolutionary, motifs awaited.

With scarcely a thought for the wife and five children he had packed off to Copenhagen or the pregnant mistress left behind in Paris, the former stock-broker set sail for paradise, only to encounter "Europe — Europe, from which I believed I had freed myself!" Yet by moving away from the overpriced francophile capital of Papeete, the visitor found at least the thatched hut and nubile maidens of his dreams.

But Gauguin learned his own severe lesson in the prudish heritage of mis-

sionary zealotry when he was arrested and fined for bathing in the nude at a remote beach. It was not his last contretemps with colonial authorities. During his second sojourn in Polynesia, from 1893 until his death in 1903, the painter produced anti-government pamphlets urging the locals to refuse to pay taxes to an exploitative regime. He was fined 500 francs and sentenced to three months in prison.

Before his appeal could be heard, Gauguin had bid farewell to paradise lost: In the hut he had erected on the Marquesas island of Hiva Oa and dubbed "The House of Pleasures," he succumbed at the age of 50 to a combination of syphilis, an infected leg wound, alcoholism and morphine abuse.

Long before his death and though his Polynesian paintings had found few buyers, Gauguin had become a legendary figure — an incarnation of the bohemian rebel. "Don't come home!" a friend advised. "You already have the immunity of dead heroes. You are part of art history." Indeed, in seeking to bridge the painful schism between dream and reality, Gauguin had created a voluptuous body of work in which color was triumphantly liberated from representational restraints. He freely mingled observations of local flora and fauna with his own erotic fantasies and fragments of information on Tahiti's precolonial myths and rituals.

These pictures have indelibly stamped both the popular, postcard image of Paul Gauguin and touristic conceptions of an earthly paradise. Like many artists of his generation, the French pilgrim sought an antidote to the rampant industrialization and urbanization of his day. Perhaps for similar reasons, his idyllic visions seem to have particular appeal to a post-technological society rushing not just toward the end of man but into a new millennium.

A Gauguin fever has broken out in Germany. It is not just the reflection of a fin-de-siècle yearning for paradise but a celebration of the 150th anniversary of the artist's birth. "Paul Gauguin — Tahiti," which recently closed at the Stuttgart Staatsgalerie, broke all previous attendance records.

Essen's Folkwang Museum expects some 600,000 visitors to stand in line for

"Paul Gauguin: The Lost Paradise." The Essen show, which runs through Oct. 18 and then moves on to the Neue Nationalgalerie in Berlin, documents the artist's Tahitian phase in more than 50 paintings, totemic sculptures and graphics. Many of the paintings, gathered from museums throughout the world, have never been previously exhibited in Germany, and one of them — the monumental "Ruperupe" — has never been seen outside the Pushkin Museum in Moscow. A prelude to the Essen ensemble features earlier visions of paradise, including that of Lucas Cranach, while an epilogue documents Gauguin's influence on such followers as Ernst Ludwig Kirchner and Franz Marc.

The chronological presentation of Gauguin's works makes clear that his first, comparatively brief stay on Tahiti was artistically more successful than the second. And it was these works, exhibited on his return to Paris in 1893, that did most to ensure his legend, if not his fortune. But even those canvases are not entirely free of cliché and repetition or of compositional "borrowings" from classic European painting. Furthermore, some of their topless heroines come dangerously close to a cartoonist's reductionism. What triumphs, even against such odds, is the succulent, unorthodox coloration that literally seems to flood the canvases.

ON Aug. 30, Munich's Hypo Kulturspange opens a show entitled "Gauguin and the School of Pont-Aven." With 30 works by the master and 110 by his colleagues with whom he painted in Brittany, the exhibition seeks to document the painter's influence on an entire school of artists.

In Switzerland, the Fondation Pierre Gianadda, in Martigny, has mounted a retrospective, through Nov. 22, of 120 paintings and sculptures from all phases of Gauguin's career — the earliest of these from 1873, when he was a successful stockbroker and Sunday painter. Yet this show, too, inevitably concludes with the wanderer's quest for paradise.

David Galloway is an art critic and free-lance curator based in Wuppertal, Germany.

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ART

How Monet's Garden Grows: A Record

By Souren Melikian
International Herald Tribune

LONDON — As Monet's close-up view of his garden at Giverny painted in 1900 inched its way up to \$8 million (\$33 million) at Sotheby's, applause broke out in the room as if the attendance had been witnessing some Olympic record.

A record it was as far as Monet is concerned, and yet there was nothing truly surprising about it, even if that sounds easy to say after the event. Like much else in that remarkable sale on Tuesday night, for which credit largely goes to Michel Strauss, the record is an indicator of what the future holds for a market where supplies are dwindling.

Simply put, the painting was admirable. The tightly knit composition, the powerful thrust to its elliptical movement, and the shimmering effect in dots and strokes of red, green and yellow combine to make it one of the masterpieces from Monet's second phase, when, having exhausted the resources of Impressionism, the artist began to transcribe colored perceptions of the world that brought him ever closer to abstraction.

This is perhaps the greatest landscape from that period seen at auction since the 1960s. A variant of the garden view sold at Christie's a decade ago came close enough, but this one was further enhanced by its mint condition. Aware that this might truly be a last-chance opportunity, anonymous buyers bid furiously over the phone, running it up to a huge price that nevertheless makes sense in the market as it stands today. Other prices of the same order will undoubtedly be paid over the next few years as works of a comparable caliber in terms of glamorous signatures, beauty and condition come up.

We have now reached the last phase of a market cycle that began in the mid-18th century. For most of that time, art sold within the same circles, primarily recruited from the upper and middle classes, and within closely defined geographical areas — Western Europe, and, in this century, North America. In the past three decades, the social recruitment has drastically changed, the old establishment giving way to new money. Simultaneously, geographical boundaries have broken down. Buying art, which used to be a passion for the

chosen few, has become a game for the whole world.

Not only are supplies widely scattered but, with the multiplication of museums, they are drying up. Category after category has vanished from the auction scene. Now it is the turn of Impressionism to make a slow exit. In the process, a fight to the finish will increasingly be waged over the few major works that may yet turn up, sending them sky high.

A very different fate, however, may await major works that require a high level of artistic sophistication from the viewer, as shown by the other remarkable work in Sotheby's sale, a study of young girls getting ready for the dancing class, drawn in pastel by Degas around 1882. This is, literally, a museum work. The Art Institute of Chicago owned it from 1937 to 1990 when it was consigned to Sotheby's New York and sold for \$4.95 million.

Yet, on Tuesday, the marvelous pastel nearly failed to find a taker. Henry Wyndham, chairman of Sotheby's Europe, was about to bring down his hammer when, after a long wait, a dealer who had his mobile phone glued to his ear, suddenly raised his hand. Despite Wyndham's insistent calls, there was no further bidding. The dealer thus got the Degas on behalf of a client on a single bid, for £2.64 million. In today's market, the figure almost seems modest.

The masterly pastel was not the only work that sold with difficulty. So did Modigliani's portrait of a Polish émigré called Baranowski, now a rarity even if this one suffers from clumsiness. But that is not unusual in Modigliani's art. It is simply that at £4.29 million, enthusiasm is more easily checked in.

The Monet aside, the only other picture that triggered determined competition was Edvard Munch's portrait, "Fever in the Grand Café." Done around 1898, it is conventional in the handling of the sitter's face and modernist in the rendering of the background. Very dark, it would probably have failed to sell a few years ago. On Tuesday, it was treated as a double icon — the portrait of a famous writer, the work of a famous painter — by two bidders, including a Norwegian dealer, who ran it up to £1.76 million.

Otherwise, one could sense a curious mix of interest and reserve from the prospective buyers. The works offered were just not great enough and the estimates often a bit too high. A landscape painted by Cézanne around 1878-1879, rather too simple, only made it to the lower estimate, £1.29 million. Another Cézanne, an oil sketch of bathers, missed it by a narrow margin as it sold for "only" £934,500. This is hardly surprising — the price is huge for a small study only 20 by 33 centimeters (7 1/2 by 13 inches).

When it came to a Picasso, "The Binoculars," a rare abstract work from the master's earliest Cubist phase painted in 1910, no one responded. Wyndham called out "£260,000" and brought down his hammer leaving it unsold, far below the estimate set at £350,000 to £450,000 plus the sale charges. This too is a small study (22 by 27 centimeters). Interesting but austere, this is a picture for a connoisseur or a sophisticated small museum, not for the very rich new buyers who look for big formats with a flashy quality. At that price level, the Picasso sketch is virtually without a public.

Its failure highlights the underlying problem of the art market in its final phase, possibly over the next three or four decades before supplies become so thin that they will cease to feed an organized market. As rarity increases, the cream of the cream goes wildly up but continues to be sought after. The rest of what is available is pulled up, almost mechanically. Eventually, it reaches a point where it is too highly priced to be tempting, even for those who can pay.

Up to a point, frustrated collecting instincts find an outlet in substitution products. A Poinsettia landscape by Charles Angrand who could be charming, but was not the second Seurat he would have liked to be, went far above its estimate as it ended up at £485,500. A fascinating still life with a touch of Cubist stylization by Alexander Archipenko brought £584,500, a huge price for a freak work — Archipenko was primarily a sculptor, not a painter.

As all similar side avenues get feverishly explored, the financial risks increase. Degas's Pre-Impressionist work, long neglected, then rediscovered in the



Detail of Modigliani's portrait of Baranowski, a Polish émigré, 1918.

1980s, goes up and down. The portrait of Paul Valéry that cost \$82,500 at Christie's New York in 1982 and £61,600 at Sotheby's London in 1985 made only £117,000 this week — less in effective buying power. Degas's drawing of his studio, sold for \$253,000 at Sotheby's New York in 1986, failed to find a taker this week. In the terminal, protracted phase of the market, those who know how to recognize a great work and assess its potential will build up fortunes. Others who may lack the required knowledge of art, aesthetic and historical, stand to lose substantial amounts.

The 'Black Legend' of a King

By Al Goodman
New York Times Service

SAN LORENZO DE EL ESCORIAL, Spain — Not only did King Philip II lose the invincible Armada in 1588 while trying to invade England but he also came to be known, in most history books, as the epitome of the cruelty and intolerance associated with imperial Spain.

He promoted Catholicism at sword point against Protestants and Turks. His armies at their zenith controlled the largest empire of the era, a swath of territory so vast, from Europe to Asia to the Americas, that yes, the sun never set upon it.

But now, on the 400th anniversary of his death, the government has organized three major art exhibitions to portray a different side of Philip, as a Renaissance connoisseur of art and literature, a bon vivant in his youth who loved royal parties and a devoted family man.

"A monarch who collected Titian and Bosch couldn't be such a demon," said Juan Martinez, an art expert on the exhibition team.

Philip collected about 2,000 paintings, including 40 by Titian and six by Hieronymus Bosch. He also collected 5,000 books, far more than his Spanish royal predecessors did.

The commemoration promises just as full and fair a look at Philip, addressing his "lights and shadows." The first exhibition, "The Hispania's Land and Men" at the Villena Palace in Philip's native city of Valladolid. More than 500,000 visitors are expected at the three shows.

El Escorial, with four sharply pointed towers at its corners, provides a powerful backdrop for the first show. It was here that Philip received the bad news about the Armada, and here that he died in Spartan quarters at age 71 and was buried.

The exhibition includes 514 items, including paintings, books, documents, and jewelry recovered from sunken Armada ships, the latter on loan from the

Ulster Museum in Belfast and being shown in Spain for the first time.

There are two portraits of the proud, steely-eyed young Philip, wearing black armor with gold inlay, one by Titian in 1551 and the other by the Spanish painter Antonio Moro in 1557, the year after he took the throne. Each speaks to Philip's power, while the numerous religious icons on view show his devotion to Catholicism.

Some Spanish conservatives defended him as a model ruler against his numerous detractors, particularly English and Dutch Protestants who spread what became known as the "black legend," focusing on his oppressive tactics in Europe and the New World. That view was disseminated in books of the period, and six such volumes are part of the show.

But Henry Kamen, an English historian who has recently published a biography of Philip, does not predict a quick revision of attitudes.

"There is a rethinking and that is the best one can ask for," Kamen said. "One cannot change views overnight."

And perhaps not even in 400 years.

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Key U.S. and French Officials Agree on Dangers in Kosovo

But Holbrooke and Vedrine Stress New Effort

By Craig R. Whitney
New York Times Service

PARIS — Key American and French officials vowed Friday to keep pushing for a diplomatic solution to head off a wider war in Kosovo, but they agreed that chances for success in the Balkan province were uncertain.

"The United States is intensifying its effort, but this issue is going to be decided on the ground in Kosovo," said Richard Holbrooke, one of President Bill Clinton's special envoys to the Balkans, as fighting between Serbian forces and secessionist ethnic Albanian rebels continued.

Mr. Holbrooke, who has been nominated as chief U.S. delegate to the United Nations, spoke before leaving Paris for Belgrade to start another round of talks with Slobodan Milosevic, the president of Yugoslavia, and with Ibrahim Rugova, the political leader of the Kosovo Albanians.

Mr. Rugova is regarded by American and European diplomats as the key ethnic Albanian figure in the negotiations.

In an interview here, Mr. Holbrooke said that Western efforts to press Mr. Milosevic to order Serbian forces to stop attacking the ethnic Albanian rebels were clouded by uncertainty about who spoke on behalf of the lightly armed and poorly organized rebel Kosovo Liberation Army.

The Kosovo rebels have seized about a third of the province in the last few months.

The rebels' goal for Kosovo, which enjoyed wide powers of self-government within Serbia until Mr. Milosevic abolished its autonomy in 1989, is independence.

But this is a goal that no Western country supports.

Mr. Holbrooke said he told that to rebel commanders he met near the provincial capital, Pristina, last week.

The principal American troubleshooter in the Balkans, Robert Gelbard, had a separate meeting in a Western European country a week ago with two exile leaders purporting to speak for the rebels.

"The meeting did not establish that the people with whom he met had authority or influence over the men with guns," Mr. Holbrooke said Friday. "How do you negotiate a cease-fire and a withdrawal of forces when you don't know you are in contact with the people in control?"

The French foreign minister, Hubert Vedrine, who conferred Thursday with Mr. Holbrooke for an hour on strategy to keep the fighting from spreading into Albania and Macedonia, said Friday: "A catastrophe scenario is quite possible despite all our efforts."

But Mr. Vedrine said that the threat of NATO air strikes against Serbia had kept President Milosevic, so far at least, from ordering a full-scale military assault to retake rebel-held areas.

Western officials estimate that Belgrade, which dominates what remains of Yugoslavia — Serbia and Montenegro — has 30,000 troops, 25,000 heavily armed police officers, dozens of anti-aircraft missile batteries and heavy artillery and armor in the province.

Of Kosovo's population of 2 million people, at least 90 percent are ethnic Albanian.

"I don't know how we will resolve the dilemma," Mr. Vedrine said at a breakfast with American and British reporters. "If Milosevic orders a big operation, we cannot remain inactive."

France, a NATO ally, supported contingency planning last month by allied defense ministers to prepare for the possible use of force to stop the fighting. Mr. Vedrine said. But he added that the United Nations Security Council should give approval before the allies acted.

Both Russia and China, permanent members of the Security Council with the power to veto decisions, are opposed to military intervention in Kosovo.

Mr. Vedrine could not say Friday what France would do if Serbia unleashed a full-scale attack and the Russians vetoed a Security Council resolution authorizing NATO to act.

U.S. officials have said United Nations authorization would be desirable, but they do not think it would be indispensable.

Russia has worked with the United States, Britain, France, Italy, and Germany in the group of nations monitoring the cease-fire that Mr. Holbrooke brokered in Bosnia in 1995, and it has urged President Milosevic to pull back his forces in Kosovo.

"If we have to use force, and we may, and if we went in without United Nations authority, we would not be in a position to insist that Russia, China, Nigeria or other countries cannot use force without United Nations authorization," Mr. Vedrine said.

But he added he did not believe either Russia or China had said their final word yet on Kosovo.

Mr. Vedrine and other French officials said they had pushed allied military planners in Brussels to come up with as wide a range of military options as possible to keep up diplomatic pressure.

"If the only option was to bomb strategic Serbian military and communications sites, throughout the country, the next day the Kosovo Liberation Army could declare Kosovo a sovereign republic. Albania could join in supporting it, and the war could spread to Macedonia and beyond," Mr. Vedrine said.

The use of force could provoke exactly the opposite of the desired result.

"There is no simple military option we haven't taken simply because we were afraid to do so," Mr. Vedrine insisted, leaving diplomacy as the only alternative.

"What we have to do is keep Rugova afloat and in a dialogue with Milosevic," he said.

The goal of the dialogue, Mr. Holbrooke said, was restoring autonomy to Kosovo and stopping the fighting.

He said that Christopher Hill, the U.S. ambassador to Macedonia, would continue to shuttle between Serbian and

ethnic Albanian officials to facilitate negotiations.

Face-to-face talks started briefly in May but were suspended after Serbia started attacking rebel positions.

The rebels, apparently financed and armed by large ethnic Albanian communities in Germany, Switzerland, France and Italy, did better than Mr. Milosevic expected, Western officials believe.

"If we fail to prevent this war, at least, unlike Bosnia, we will have made an all-out effort, including a U.S. diplomatic effort, close coordination with the contact group, and NATO involvement, none of which existed in Bosnia in the early 1990s," Mr. Holbrooke said Friday.

"If they had, we could have prevented the tragedy there. There's no dishonor in a full-court press in Kosovo."

■ Serbs Said to Break a Siege

Serbian security forces recaptured a key crossroads area in Kosovo on Friday, breaking a siege of more than two weeks by ethnic Albanian militants, The Associated Press reported from Pristina.

The retaking of Kijevo was reported by both Serbian and ethnic Albanian sources and confirmed by Western diplomats.

Journalists were not immediately allowed into the area.



The NATO secretary-general, Javier Solana Madariaga, arriving Friday at Bellevue Castle in Berlin for the Bertelsmann Conference to discuss political issues, primarily the conflict in the Serbian province of Kosovo.

With Misgivings, Austria Guides Europe to East

By Barry James
International Herald Tribune

VIENNA — For Austria, enlarging the European Union to the east — the task for which it assumed oversight when it took over the EU presidency this week — is no abstraction.

It shares 1,300 kilometers of frontiers with countries that have applied for membership in the EU. A large swath of former Communist territory lies to the West of Vienna, not just to the East. The border with Slovakia is a day's walk away from Vienna. And 5 million people in the candidate countries are within commuting distance of Austrian cities, where wages are often nearly twice as high as at home.

Polls show that a majority of Austrians oppose enlargement, a process that the EU formally initiated this year. They fear that it will cost them jobs and bring a surge of immigrants, insecurity and crime — like the apparent gangland bombing in Budapest this week and a recent mafia shoot-out in Vienna.

But all sides in the left-right coalition government agree that enlargement is inevitable, and that the only question is not if but when. The EU agreed earlier this year to open accession negotiations with Estonia, Poland, Hungary, the Czech Republic, Slovenia and Cyprus. Five other countries — Lithuania, Latvia, Slovakia, Romania and Bulgaria — also are candidates.

"It is not only the enlargement but the completion of Europe," said President Thomas Kestil.

"It is a moral obligation. It is politically important. It means that we will no longer be on the border. We will be at the heart of Europe again."

But Mr. Kestil acknowledged that he and the government

faced a difficult task in overcoming public skepticism, and in persuading people that reuniting countries that were part of the Austrian empire for hundreds of years would be like the reunification of a divided family.

"We have profited more than any other country from the fall of the Iron Curtain," he said. "We have created 60,000 jobs and set up 15,000 joint ventures. But how do you tell this to the border regions, which already have a lot of problems? Just across the border, wages are 75 percent lower. Many factories already have closed and gone to the other side. The balance is positive, but this is hard to explain to the guy who's just had to close his shop or has lost his job."

Mr. Kestil's assessment is shared by leading bankers, industrialists and politicians, even if it is contested by much of the press and the far-right Freedom Party.

Since Austria joined the EU about three years ago, it has created 110,000 jobs and increased its trade with the East to 6 billion schillings (\$468 million) a year from 3.5 billion schillings, said Andreas Khol, parliamentary leader of the conservative People's Party.

"We have a deficit in our trade balance with the rest of the EU and a huge surplus with our neighbors," he said. "With enlargement, we added, 'we will invest there and they will work here.'

But enlargement poses the real question of how Austria will manage to preserve its high standard of living and its low unemployment rate of 4.5 percent. During Austria's six-month hold on the EU presidency, which rotates among the members, political leaders here will seek support in obtaining a fairly long period restricting the free movement of labor from the candidate countries.

Though not everyone agrees with him, the foreign minister, Wolfgang Schüssel, says that the prospect of large-scale immigration is not the real problem. "People in this part of the world tend to stick to their hometowns and villages," he said. The real problem, he said, is that there is a population of some 5 million within an hour's drive of Austria's major cities. "We need a transition period of controlled access to our labor markets," he said.

Mr. Schüssel said this period should be used to help build up the economies of the candidate countries to reduce the enormous disparities in wages and living standards. This would be to the other countries' benefit as well, he said, because they need to prevent the emigration of their technicians, doctors and scientists.

Such a course would also lessen the need for Austria to cut the cost of its own bureaucracy and its extensive welfare system. This will be a predominant theme during the Austrian presidency because of the pressure to align taxes in the run-up to the introduction of the European single currency in January.

Chancellor Viktor Klima said the EU needed to harmonize its taxation laws to ease the tax burden on labor, which is regarded as contributing to unemployment by reducing the incentive to work.

"This is important for the international competitiveness of Europe," he said.

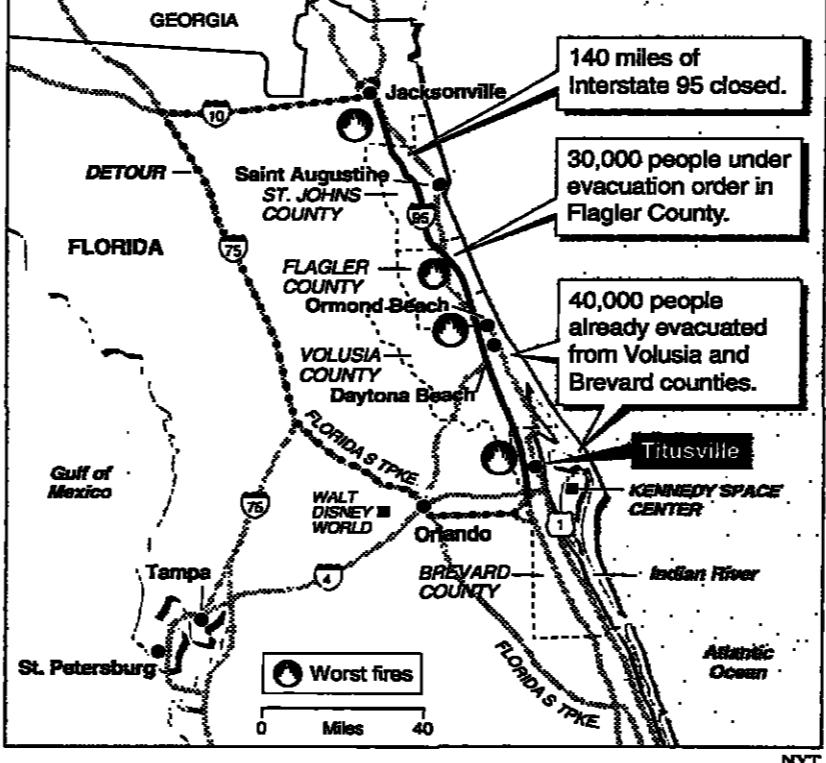
But this would imply a shift of taxation toward corporations. Mr. Klima suggested that this need not necessarily be an added burden on most businesses, because countries would be able to raise income by closing loopholes rather than raising rates.

Mr. Klima said the government would seek a common minimum level of corporation taxes for EU members, which senior diplomats here said was not a position unanimously favored in the EU, or even in Austria. If accepted, it could mean that some countries, such as lightly taxed Ireland, would have to raise corporate taxes. "This would be a difficult problem," acknowledged the finance minister, Rudolf Edlinger.

Joerg Haider, the leader of the Freedom Party, said the government wanted to revise taxes upward rather than reduce a vast bureaucracy — which has, for example, 28 organizations to handle pension funds — and cut state expenditure.

Lorenz Fritz, secretary-general of the Federation of Austrian Industry, agreed that Austria had been able to reduce its budget deficit to the level required to join the single currency not by cutting government spending, which totals nearly 45 percent of gross domestic product, but by relying on economic growth — which, of course, works only as long as the economy keeps growing.

Mr. Fritz said that labor cost differentials were not the only factor in whether Austria could remain competitive within the EU as it enlarges. Austria could prosper under the new arrangements as long as it keeps an innovative and technological edge, he said.



CYPRUS: Threat of Conflict Averted

Continued from Page 1

prove air-traffic controls over the Aegean and cut the risk of incidents between Greek and Turkish warplanes.

The need to improve confidence about surveillance capabilities in Athens and Ankara will also be served by the U.S.-built frigates, all of which can carry advanced radar and other detection equipment. These warships' main mission would be to provide surface-to-air defenses.

Turkey has challenged the Greek Cypriots' move to acquire ground-based missiles because it says they would threaten Turkey's ability to move rapidly, if necessary, to protect Turkish interests.

Florida has never had fires like this before, never had a situation where we're fighting the weather like this before," Mr. Chiles said during a tour of the emergency operations center in Daytona Beach, noting that every available bulldozer and water-bearing helicopter was at work.

"We're having 90 to 100 new fires a day," he said.

Meanwhile, tourism officials scurried to reassure vacationers — among the nearly 4 million who visit Florida each July — that they could reach their destinations in the state.

"There are alternate routes to all areas of Florida," said Robin Knight, a spokeswoman for Visit Florida, the state tourism department. "All cities are still open, all beaches, all attractions for visitors. There's no risk going there."

Auto-racing fans were bound to be disappointed, however, with the postponement of the Pepsi 400 race at Daytona International Speedway.

The president of the speedway, John Graham, said the postponement until Oct. 17 was "the right thing to do." The 39th annual Daytona race was to have been the first nationally televised and the first held under lights at night, an effort to increase attendance by avoiding the temperatures that are high even during a normal Florida summer. (NYT, AP, WP)

proved in many ways to be different from his predecessor.

Pope John Paul II appealed to General Abacha to free the political prisoners and got exactly nowhere.

The Clinton administration sent signals to General Abacha that it would not accept as a reform measure his plan to run as a civilian in elections planned this August.

But then Mr. Clinton grew so frustrated with the lack of movement that he said in Cape Town, "If he stands for election, we hope he will stand as a civilian."

That apparent concession brought no constructive response, either.

Then General Abacha died unexpectedly of a heart attack on June 8, to be succeeded by his colleague in the ruling junta, General Abdulsalam Abubakar.

And General Abubakar, to the surprise of Nigerians and diplomats alike,

headed by Tony Lloyd, a minister in the Foreign Office, visited Nigeria last weekend, and an American group, headed by Undersecretary of State Thomas Pickering, is to head there this weekend.

"This is a carefully orchestrated process," a European official said, "not a deal exactly, but everyone understands the transaction here."

"You might call it a political ceasefire leading to the release of hostages."

So far, General Abubakar has managed to hold the junta and the officer corps together, although some analysts in the United States said they feared that many officers were less committed than their leader to national reconciliation.

Presuming that the prisoners are released, General Abubakar's next major task will be to restore not only the army's self-respect but also its standing in the country.

EU Unveils Tough Rules To Cut Auto Emissions

By Marlise Simons
New York Times Service

BRUSSELS — People in Europe's car-filled cities are likely to start breathing a little easier in the next few years because of tough new anti-pollution rules announced in Brussels this week by the 15-member European Union.

The rules, which ban the use of leaded gasoline, require many car engines and all fuels to become cleaner by 2000. Even tougher standards will go into effect in 2005. With the changes, governments hope to cut as much as 70 percent of the pollutants in emissions from cars, which regularly foul the air in some of Europe's most beautiful city centers.

Car owners in Europe have to contend with gasoline that is often taxed up to 75 percent and is among the most expensive in the world, yet heavy traffic clogs most cities and often cloaks them in ozone haze.

But the European Union has set broad air-quality standards for the next decade that are among the strictest in the world, and the new rules are part of the strategy for achieving them.

With these new rules, environmentalists feel somewhat vindicated: they have long contended that the know-how exists to let millions of city people breathe cleaner air, but the political will has been lacking.

The cleaner engines and fuel should drastically cut back the mix of nitrous oxides, carbon monoxide, hydrocarbons and soot.

The anti-pollution agreement was the result of long and often difficult negotiations among representatives of industry, governments and environmental groups.

Compromises were made on all sides. The parties agreed that all leaded gasoline would be banned from 2000, with one exception. Owners of vintage cars will be allowed to buy small quantities of leaded fuel, which the older cars need to run. Sulfur content must be reduced in gasoline and diesel fuel. New cars must be fitted with a computer that monitors emissions and warns when there is a failure in the catalytic converter.

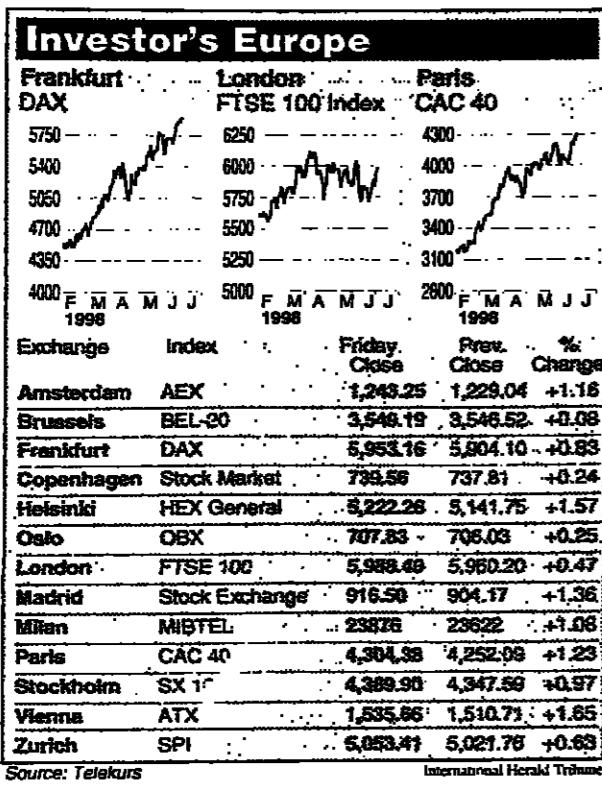
The first phase will apply to passenger cars and small trucks. Regulations for large trucks and buses will follow.

The changes are expected to raise the price of cars from \$300 to \$600 in the next two years. Carmakers will need to invest about \$65 billion to meet the new standards, according to European Union officials.

The oil industry estimates it will cost \$35 billion to put the program into effect, with most of the money being spent in southern Europe, where many refineries have not kept up with new technology. Most of the higher costs are expected to be passed on to consumers.

"

EUROPE



Russian Duma Passes Tough Tax Code

MOSCOW — Russia's lower house of Parliament, the State Duma, approved the main section of a landmark tax code Friday, in a move intended to revive the country's moribund investment climate, raise tax receipts and help it get

everyone has been waiting for."

Joel McDonald, an adviser to the Russian government on a previous version of the tax code and a tax lawyer at Salans Hertzfeld & Heilbronn in Moscow, said the Duma's passage of the general part of the code was only the start of reform.

The Duma approved the tax code general section, which sets out the

relief for investors, since all the taxes are included in the other parts, which are inherently more controversial and more complex. How can you prepare the 1999 budget without the special parts?"

The Duma approved the tax code general section, which sets out the

"

I think it really ought to be taken well. This definitely has the feel of progress, which is something everyone has been waiting for."

The passage of the budget code is a key condition for an International Monetary Fund loan of up to \$15 billion needed to avert a ruble devaluation and to ease a government cash shortage.

The Duma also passed a new tax code designed to improve collection, another important condition for the loan.

Russia's benchmark RTS stock index closed 4.9 percent higher, or 7.12 points, at 151.33 as the new tax and budget codes are seen as a crucial test of Russia's commitment to reforming its finances.

"I think it really ought to be taken well," said Sonja Gibbs, chief strategist at Nomura International in London. "This definitely has the feel of progress, which is something

The lower house must pass the section in a final, formal reading expected on July 15, but it must also handle three other sections, special parts which would define which and how much tax regional, federal and local government could levy.

"In the overall context of tax reform in Russia, this is one of the vital areas, defining the rights of taxpayers vis-a-vis the tax authorities," he said of the general section.

"But it will not bring a lot of

rights of taxpayers and defines the basic form of the tax system and which outlines rules for preparing and fulfilling the annual state budget, a key condition for an International Monetary Fund loan.

The budget code also outlines accountability for violations of budget laws and the powers of the cabinet, Ministry of Finance and state treasury in the preparation and fulfillment of the budget.

The government has pledged to increase revenue by at least 42 bil-

lion rubles (\$6.77 billion) this year. Boris Fyodorov, head of Russia's tax office, outlined his efforts to improve tax collection a day after winning an agreement from OAO Gazprom, the world's largest gas company and Russia's biggest tax delinquent, to pay 4 billion rubles in taxes a month.

Gazprom owes the government a total of 12 billion rubles in tax arrears — about equal to the total amount of tax the government collected in April.

Government-funded companies owe Gazprom about 13 billion rubles in back payments for supplies, said the Russian deputy prime minister, Boris Nemtsov.

Meanwhile, unpaid Russian miners blocked the strategic Trans-Siberian railway line for three hours on Friday before being removed by the police, a union official said.

"They blocked the railroad, but were forced by Interior Ministry forces to reopen it again," said Nikolai Shtrykov, first deputy chairman of the independent coalminers' union.

(Reuters, Bloomberg)

Very briefly:

• Nedcor Ltd., Standard Bank and Absa Group Ltd. of South Africa raised their prime lending and mortgage rates, the third time in a month that commercial banks have done so. The move deepens the prospects of recession amid a sharp drop in the currency, the rand.

• The Bank of Spain left its benchmark interest rate unchanged at 4.25 percent, as expected.

• Liberty PLC shares fell 11.4 percent to 195 pence (\$3.24), down 25 pence after the troubled British clothing retailer and fabric printer reported a loss of £12.5 million for the fiscal year, after a profit of £4.0 million a year earlier.

• Lafarge SA of France said it would combine its industrial paint businesses with the Sigma Coatings subsidiary of Petrolina SA of Belgium in an operation with about 7 billion French francs (\$1.15 billion) in annual sales. Petrofina will hold a majority stake in the new concern.

• Fininvest SpA, the holding company of Silvio Berlusconi, the former prime minister of Italy, said it was studying plans to move about 1.5 million lire (\$837 million) worth of real estate into a separate unit and sell it to investors.

• Adecco SA, the Switzerland-based employment-services company, said it had raised 310 million Swiss francs (\$202.3 million) from the sale of new shares to be listed in Paris and Zurich, helping it repay debt.

• The European Commission said it might sue Italy over restrictions on chocolate imports from other European Union countries. The EU's single market commissioner, Mario Monti, gave Italy two months to react to charges that it broke European law by forcing chocolate made using fats other than cocoa butter to be labeled as "chocolate substitute."

• Vickers PLC completed the sale of Rolls-Royce Motor Cars to Volkswagen AG for £479 million (\$794.7 million). The price, in addition to the £430 million bid, includes £38 million to reflect an increase in the value of Rolls-Royce assets since the beginning of the year and £11 million to refund cash in Rolls-Royce accounts.

APB, Bloomberg

VW Sales in U.S. Post Best Month Since Early '80s

Compiled by Our Staff From Dispatches

FRANKFURT — Volkswagen AG said Friday it posted its best U.S. monthly sales in June in nearly two decades.

Europe's biggest carmaker also said it would split its shares 10 for 1 and eliminate their nominal value to make them easier to trade.

VW sold 24,907 vehicles in June, up 9.8 percent from June 1997. The sales results give Volkswagen its best June in the United States since 1980 and its best month overall since 1981.

In the first six months of 1998, VW said it sold 104,081 new cars, up 50.2 percent over the same period in 1997. That represents the best first half for the carmaker since 1986.

U.S. sales were driven by its "New Beetle" model, which made its debut in March. The company said it sold 7,466 units of the car in June and 17,431 units since it went on sale.

VW shares closed up 54.5 Deutsche marks at 1,871 DM (\$1,029). (Reuters, Bloomberg)

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JAPAN: Prime Minister's Support of Tax Cuts Lifts Stock Market

Continued from Page 11

practice, it was more likely to be used in the failures of regional institutions.

Analysts also echoed that view. "The Total Plan may include the largest banks, but the real purpose is the small, secondary regional banks," said Brian Waterhouse, financial analyst at HSBC Securities Japan Ltd. "The major 19 banks have the largest number of loans, but smaller banks have a greater danger of going under."

One Japanese banker, who refused to be named, noted that the process of drawing up the Total Plan and the bridge bank system was driven by Japanese politicians, who mainly have their regional constituents in mind. The failure of a regional bank has a huge impact on that region's economy, particularly on the ailing companies that borrowed from that bank.

"We're going to see greater instability," said James Fiorillo, banking analyst at ING Barings Japan, on the implementation of the plan. "It's not a straight and narrow road forward. It's going to be bumpy."

The government has been particularly sensitive to the markets recently, in light of the beating last month that certain bank shares, such as those of the ailing Long-Term Credit Bank and Nippon Credit Bank, have suffered. And it has criticized foreign financial analysts in the past for fingeriling the names of weak institutions to the media.

Friday, at a briefing on the Finance Ministry for foreign financial analysts, an official at the Financial Supervisory Agency, which inspects the banks, lashed out at foreign speculators, saying they were "playing their games in the Tokyo market," and using the Tokyo

market as a "playground" by attacking certain bank stocks.

When pressed on this by a reporter, a government spokesman, who appeared rather embarrassed, said that the comments were "improper." Then he asked for the names of the analysts who re-

vealed the comments, saying he would like to clear up any misunderstanding.

When he did not get the names, he explained that the official had been working extremely hard. "He was ill last evening," he said.

"He was not in a good mood."

GM: Strike Cutting Dealers' Inventories

Continued from Page 11

cent higher than Wall Street's highest estimates, mainly because sales of light trucks had dropped especially fast.

Ronald Zarrella, GM's group vice president for marketing, tried to reassure Wall Street and vehicle shoppers on Wednesday that GM dealers still had ample inventories.

GM has canceled low-profit sales to car rental companies and other fleets, and its dealerships' remaining inventories of cars and light trucks are equal to 70 days of retail sales, he said.

But such figures mask wide differences in the availability of particular models, as well as big gaps among dealerships.

Small cars, on which GM loses money, are still plentiful, but full-size sport utility vehicles, on which GM makes up to \$10,000 apiece, are extremely scarce.

At the same time, some dealerships that started the summer with unusually large inventories are less worried than dealerships that tried to match up orders and sales more closely and now find themselves with little to sell.

In normal times, dealers sell scarce models to one another at close to invoice prices.

But this informal system has broken down now, with dealers nationwide saying in interviews this week that they are hoarding their remaining vehicles and generally selling only to retail customers who pay close to the full sticker price.

The uneven distribution of vehicles poses a problem for GM because customer loyalty to dealerships has been its greatest strength.

More than any other domestic or foreign auto maker, GM relies on sales to previous owners of GM vehicles, a legacy of the days in the 1960s and '70s when GM controlled half the market.

Very few owners of foreign cars, or even owners of other domestic brands, tend to switch to GM, which is one reason why its market share has been slowly diminishing for a quarter of a century.

But now some of those loyal GM customers are coming into dealerships that offer an increasingly limited selection.

To Our Readers

All U.S. financial markets were closed Friday for the Independence Day holiday.

INTERNATIONAL FUTURES

July 3, 1998		High	Low	Latest	Close	Chg	Optrd	High	Low	Latest	Close	Chg	Optrd
Metals		High	Low	Latest	Close	Chg	Optrd	High	Low	Latest	Close	Chg	Optrd
LONDON METALS (LME)		127.95	127.05	126.95	126.95	-0.05	5,455	127.95	127.05	126.95	126.95	-0.05	5,455</td

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Cathay Pacific Seeks Partners Outside Asia

Bloomberg News

HONG KONG — Cathay Pacific Airways Ltd., Hong Kong's biggest airline, said Friday it was talking to several carriers about forming an alliance to strengthen its position in Europe and the United States as traffic slows at home.

The comments followed a published report in Britain that quoted unnamed sources as saying Cathay and British Airways PLC have held talks in Hong Kong and London.

Betty Law, a Cathay spokeswoman, said the carrier was in talks with "various airlines." She declined to identify them and said a decision would be made later in the year.

British Airways would not confirm or deny the report. "We have a long-standing policy not to comment on rumor or speculation," said Jamie Bowden, a spokesman.

The Hong Kong-based airline would profit from links with non-Asian carriers to bring it passengers as its home market contracts.

Paper Makers Weigh Korea Investment

Bloomberg News

SEOUL — Abitibi-Consolidated Inc. and Norske Skogindustri ASA, two of the world's top five paper producers, are in talks to invest in Hansol Paper Co. of South Korea or to buy one of its plants, a spokesman for Hansol said Friday.

The investment could leave more than 65 percent of South Korea's paper industry in foreign hands, as Hansol is the biggest manufacturer, with a 45 percent market share. Bowater Inc. and Norske Skogindustri have already taken advantage of South Korea's weakened currency by agreeing to other acquisitions.

"Negotiations started 10 days ago, but things are very much flexible," said Kim Jin Moon, a Hansol paper spokesman. "Abitibi and Norske are among the potential buyers."

Shares in Hansol Paper fell 50 won, to 6,950 won (\$5.09).

The Chosun Ilbo newspaper quoted an unnamed senior official

Cathay's net profit slumped 55.5 percent last year as slowing economic growth from Indonesia to Japan cut tourism. The airline has sacked at least 870 employees this year as first-quarter traffic shrank 9.5 percent.

Analysts said airlines that would profit from access to the Chinese market include BA, Lufthansa AG and KLM Royal Dutch Airlines.

A Cathay-British Airways linkup would probably not happen until after both European Union and U.S. regulatory authorities rule on a proposed alliance between BA and American Airlines, Mr. Light of Salmon said.

The European Commission, the executive body of the European Union, is expected to rule Wednesday that British Airways and American Airlines must give up some 270 weekly takeoff and landing slots at London airports in exchange for approval. The U.S. is expected to rule by September.

Barclays Capital Gets Daiwa Unit

Bloomberg News

TOKYO — Daiwa Securities Co. has sold its securities lending business in New York, Britain and Hong Kong to Barclays Capital, the securities arm of the financial conglomerate Barclays PLC.

A Daiwa Securities spokesman, who did not want to be identified, said Thursday that all 52 employees of the units, which lend securities and money to fund managers and hedge funds, would join Barclays Capital.

Financial terms of the sale were not disclosed. The shares of Daiwa Securities fell 11 yen, to 642 yen, on Friday.

In May, Daiwa Securities said it would move its international business headquarters to London from Tokyo to try to cut costs and improve efficiency. It said it also saw London growing in prominence as an international financial center.

Australian Networks Get Exclusive Use of Digital TV

Bloomberg News

CANBERRA — The Australian Parliament passed a law Friday that gives television networks free and exclusive access to the digital spectrum for the next eight years.

The five television networks, which include two government-owned broadcasters, will be required to offer digital television in metropolitan areas beginning Jan. 1, 2001, moving into all regional areas by Jan. 1, 2004.

"This is the most significant television legislation in almost 50 years," said Tony Branigan, spokesman for the Federation of Australian Commercial Television Stations.

Shares in Publishing & Broadcasting Ltd., which owns Nine Network Australia, closed at 17.20 Australian dollars (\$10.55), up 7 cents.

Seven Network Ltd.'s shares rose 11 cents to 5.01 dollars, and Ten Network Holdings Ltd. were unchanged at 2.05 dollars.

Under the new law, the commer-

cial stations will get access to seven megahertz of digital spectrum free of charge until 2006. The government also said it would not grant any new commercial licenses for eight years, two years less than originally proposed.

Digital television will be broadcast into homes in two and a half years, the government said. Both digital and analog signals will be broadcast simultaneously for eight years to allow consumers time to buy new digital television sets.

"There is no need to immediately replace existing analog TV sets," said Minister for Communications Richard Alston. Instead, people will be able to buy "digital decoders," which allow digital television to be picked up by existing analog television sets.

Television networks will be able to transmit data in addition to television programs but will be charged fees on a "level playing field" with data service providers, which will be able to bid for unused spectrum.

Under the new law, the commer-



PESO BONUS — President Joseph Estrada of the Philippines, right, accepting a 5 billion peso dividend Friday on the government's behalf from Gabriel Singson, center, the central bank chief.

of Hansol Paper as saying that talks were in the final stages to either sell Hansol's paper manufacturing plant in Jeonju for \$1 billion or to sell 49

percent of Hansol for \$800 million. Abitibi, which is based in Montreal, and Norske Skogindustri, a Norwegian company, are ap-

parently betting that demand from newspapers and other users will increase once Asia's economic problems recede.

Very briefly:

• San Miguel Corp.'s chief executive officer and board member, Andres Soriano 3d, resigned to give way to new management. Francisco Eizmendi Jr., president and chief operating officer, will be responsible for the general supervision, administration and management of the company until a successor is chosen.

• Hyundai Motor Co. workers said they would begin a two-day strike on Monday to protest plans by South Korea's biggest auto manufacturer to dismiss a tenth of its staff.

• Hyundai Group's plans to unleash a flood of South Korean tourists on North Korea, arguably the world's least hospitable country, have sparked a rally in its shares. The first group of tourists will arrive in North Korea aboard a cruise ship on Sept. 25.

• Vietnam will ban steel imports to offset rising domestic production and falling demand, the Vietnam News reported, citing officials.

• Toray Industries Inc., Japan's biggest producer of nylon fibers, will acquire the "Ultrasuede" trademarks and sales business of Springs Industries Inc., a U.S. home furnishings maker, for \$15 million.

Reuters, Bloomberg

WORLD STOCK MARKETS

Friday, July 3

Daily prices in local currencies.

Telekurs

High Low Close Prev.

Amsterdam AEX Index 1262.22 1262.22 1262.22 1262.22

AEG-AMRO 45.22 47.00 47.00 47.00

Akzo 16.10 16.58 16.65 16.58

Akzo Nobel 44.60 45.00 45.00 45.00

Alfa Laval 13.00 13.00 13.00 13.00

ASR Verz. 175.10 176.10 176.50 176.50

Astra 14.00 14.00 14.00 14.00

Babcock & Wilcox 29.20 29.20 29.20 29.20

Car Gemini 174.50 174.00 174.50 174.50

Cassenaer 11.00 11.00 11.00 11.00

Ciba-Geigy 11.00 11.00 11.00 11.00

DSM 115.00 112.10 112.50 112.50

E.ON 16.40 16.40 16.40 16.40

E.ON Energy 16.40 16.40 16.40 16.40

E.ON Energy

Clinton, in One-Day Visit To Hong Kong, Meets An Urban Nonchalance

By Mark Landler
New York Times Service

HONG KONG — They call this city the Manhattan of Asia. And on Friday, as President Bill Clinton wound up his visit to China by touring across the city to make a speech, attend some meetings, and do a bit of shopping, Hong Kong treated the leader of the free world with New York-style insouciance.

"I'm not paying any attention to him," said Chu Shu-san, a 48-year-old newsstand vendor with a shrug, as he sold copies of papers with Mr. Clinton's picture on the front page. "He's just in there anyway."

To be fair, Mr. Clinton attracted a good crowd for the speech about the relationship between the United States and Asia. But the audience of local and foreign business leaders responded tepidly to his call for a speedier introduction of democracy to this former British colony, which reverted to Chinese rule a year ago.

"We debated this issue for five years in the 1980s," said Vincent Lo, a leading property developer, in a somewhat grumpy tone, as he rose to leave after Mr. Clinton's half-hour speech.

"We know the good points and the bad points of democracy, and we know we mustn't rush into it."

Mr. Clinton, the first sitting U.S. president to visit Hong Kong, came here three times before entering the White House, and he clearly likes the place.

"I think it's quite appropriate for our trip to end in Hong Kong, because, for us Americans, Hong Kong is China's window on the world," he said.

Still, the 24-hour stop lacked the high drama of his televised debate with President Jiang Zemin, his freewheeling give-and-take with students at Beijing University, or even the solemn welcoming ceremony at Tiananmen Square.

On a rainy day here, few people lined the streets to see Mr. Clinton's motorcade. When the first lady, Hillary Rodham Clinton, and her daughter, Chelsea, slipped away to do some shopping at Shanghai Tang, a boutique that specializes in updated Mao-style clothing, they barely drew a crowd.

Even "Primary Colors," the film adaptation of the satire on the Clinton presidency, has flopped here.

The movie, which opened in Hong Kong the day after Mr. Clinton arrived in China, has earned a fraction of the box-office of the most popular current film, "True Mob Story."

One reason for the lack of drama is that Hong Kong's troubles are more economic than political. People here are

worried about the swooning stock market, the plummeting value of real estate, and the stability of the Hong Kong dollar — topics that do not lend themselves to soaring rhetoric or street theater.

Mr. Clinton praised Hong Kong and China for not devaluing their currencies and he endorsed a \$200 billion plan announced Thursday by the Japanese government to take over failing banks and protect depositors.

The president did not ignore political issues. He applauded the record voter turnout in Hong Kong's legislative elections two months ago, saying that "the results were a mandate for more democracy, not less, and faster, not slower, strides toward political freedom."

After his speech, Mr. Clinton met privately for 20 minutes with Martin Lee, Hong Kong's most prominent democratic politician. Mr. Lee, who lost his seat in the legislature when Beijing dissolved the body before the handover and regained it in the recent elections, told the president he hoped that half of the council's 60 seats would be directly elected in 2000 — compared with 20 seats now.

Samuel Berger, the national security adviser, said Mr. Clinton listened attentively to Mr. Lee but did not express an opinion on any specific proposals to speed up democracy in Hong Kong. "I don't think it's for us to get into the specifics of what the timetable of that might be," he said.

Despite Mr. Clinton's reluctance to talk numbers, Mr. Lee said the meeting was "terrific." He said the president responded positively to his argument that the Hong Kong government should be encouraged to develop democracy, so they can see that it works well under Chinese rule."

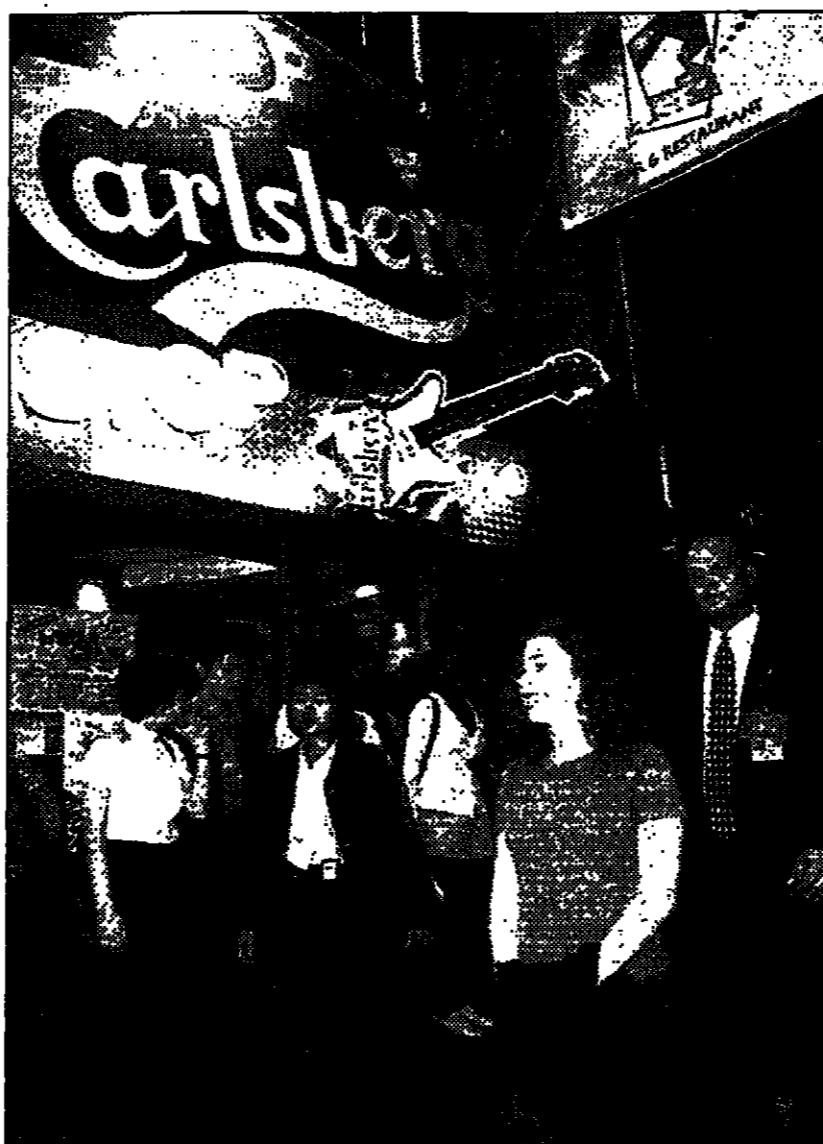
Later in the morning, Mr. Clinton met several other democratically elected legislators. One participant, Tsang Yock-sing, the head of Hong Kong's largest pro-Beijing party, said the president showed that he has a positive attitude toward developing a constructive relationship with the Chinese leadership.

After his news conference, Mr. Clinton and his family stopped off for some last-minute shopping on their way to Hong Kong's new \$20 billion airport.

The president's use of the airport is about the only part of his visit that has generated local interest.

Air Force One landed six hours after the departure of President Jiang, who had been in Hong Kong to mark the first anniversary of the handover.

The Hong Kong Standard devoted much of its article on Mr. Clinton to a discussion of the presidential flights.



Chelsea Clinton, daughter of President Bill Clinton, strolling past a Hong Kong club Friday while her father was winding up his China visit.

CLINTON: China Visit Leaves Good Feeling and Lifts Leaders' Status — but Can It Last?

Continued from Page 1

ical superpower, the United States. Despite the paucity of diplomatic breakthroughs, the friendly, tactful demeanor of Mr. Clinton and Mr. Jiang's bold decision to temporarily loosen the usual tight controls on political discourse helped create a happy feeling about Chinese-American relations.

But the Chinese could be in for a morning-after dismay when the unresolved differences rear up again.

These include the United States' huge and growing trade deficit with China and its refusal to consider Chinese admission to the World Trade Organization until painful changes are made to open markets.

Chinese officials and experts, sounding quite like American officials on the subject, say they hope that the goodwill and low-profile technical ties forged by the reciprocal state visits will help the two countries live through their differ-

mences. "The problems are still here," said Xiong Zhiyong, dean of the Foreign Affairs College in Beijing. "But I think both sides now understand each other better."

The hope, in Beijing as well as in the White House, is that an overarching sense of partnership will enable these two giants to avoid dangerous conflict — a military confrontation over the Taiwan issue being the worst case — and to reap mutual economic benefits. The Americans, rightly or wrongly, also believe that by engaging China they will nudge it to become more open and democratic.

Chinese people, like Americans, are sounding the meaning of Mr. Jiang's decision to allow televising of an extended discussion of Tibet, human rights and the 1989 killings. It was done in the most tentative of ways: There was no small announcement, ensuring a small Saturday-afternoon audience, and Mr. Clinton's most direct words on 1989 and the Dalai Lama and democracy were not reported in the official media.

It is unclear how this limited but genuine public airing will play out — whether the Chinese government will feel emboldened to allow more free debate at home, whether people's expectations of free speech will change.

But there is no doubt about the short-term gains, for China as well as for Mr. Clinton.

"The cost to China was relatively small compared to the benefits," said Yangsheng Huang, a Chinese-born political economist at the Harvard Business School. "The American public and media were happy with the trip."

President Urges More Hong Kong Democracy

By Keith B. Richburg
Washington Post Service

HONG KONG — President Bill Clinton met privately Friday with Hong Kong's leading campaigner for human rights and publicly called for the first time for a quicker expansion of Hong Kong's democracy.

Still, at least one popular politician — Emily Lau, who heads the New Frontier Party — said that Mr. Clinton had not gone far enough because he declined to endorse any specific timetable to move Hong Kong to full democratic elections.

In a morning speech to an audience made up largely of business leaders, Mr. Clinton said the heavy voter turnout in May to elect a legislature proved that Hong Kongers wanted "more democracy, not less." In a private meeting an

hour later with Martin Lee, whose Democratic Party swept to office in that vote, Mr. Clinton reiterated his interest in seeing Hong Kong move faster toward fuller democracy.

Samuel Berger, the U.S. national security adviser, said later that Mr. Clinton's remarks on Hong Kong's democracy were meant to convey a new message here. "I think the statement he made was further than anybody has gone before," Mr. Berger said in an interview. "It's a new statement. It's support for faster democratization."

That theme — that Hong Kong should speed up the pace of its democratization — was also pushed by the U.S. secretary of state, Madeleine Albright, in a meeting with the president's strong emphasis on pushing for more pluralism and openness in a region that has long resisted change.

He was the only politician selected to meet privately with Mr. Clinton, which included a wide-ranging discussion of democratization across Asia, that was pleased with the president's strong emphasis on pushing for more pluralism and openness in a region that has long resisted change.

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Website: www.iht.com/IHT/MONEY

Drugmakers
Need R&D
To ThriveMedicines in Pipeline'
Are Key to the Value
Of Industry's StocksBy Judith Rehak
International Herald Tribune

FOR investors interested in the pharmaceutical industry, some of the best opportunities for profit lie in the research laboratories of drug companies, where scientists work for years on formulas that the companies hope will result in products that cure diseases, alleviate suffering or just grow hair on bald heads. If one turns out to be a blockbuster, the returns can be spectacular—an obvious example being Viagra, the new impotence drug from Pfizer Inc., which has analysts predicting eventual sales as high as \$10 billion a year.

Stewart Adkins, an analyst with Lehman Brothers in London, said research-and-development activity represents one-third to one-half of an investment decision, making it "absolutely vital." A pharmaceuticals maker's drugs in development, its so-called pipeline, "drive the company's long-term growth," he said.

The money spent by drugmakers to fund research is staggering. Typically, a company will pour 10 percent to 17 percent of its sales back into research and development. At Pfizer, one of the most consistently successful in bringing new drugs to market, that added up to \$1.9 billion last year, just under 16 percent.

But simply spending large amounts of money on R&D does not guarantee results. Mr. Adkins noted that Roche Holding AG of Switzerland spent as much as 23 percent of sales annually throughout the late 1980s and early 1990s. "It's hard to justify that spending in terms of what they've done so far," he observed.

He emphasized the importance of managing a drug's life cycle in the market, from introduction to peak sales and to the time when it will no longer have an exclusive patent. Another crucial factor, he noted, is marketing clout.

Currently, one of Mr. Adkins' top picks is Glaxo Wellcome PLC. Earnings at the British pharmaceutical maker have been hurt in the past two years by the expiration of the patent for Zantac, its popular anti-ulcer medication, but it now has 20 new drugs in Phase 3 trial, the stage just prior to filing with the U.S. Food and Drug Administration for approval. Among the new products are a new AIDS drug, and Lamivudine, against hepatitis B, which has some 300 million carriers in the world. Glaxo has filed to sell the drug in China, elsewhere in Asia and the United States.

Mr. Adkins also approves of Glaxo's marketing capabilities, especially its direct-to-consumer advertising in America, where it handles "tens of thousands" of patient inquiries on its toll-free telephone number. "They're not leaving any opportunities on the table," he said. He is estimating earnings per share of 55 pence (91 cents) this year and 64.9 pence in 1999.

At Merrill Lynch & Co. in London, Jane Dyson favors Novartis AG of Switzerland. One of the most important things to consider, she said, is how new products coming out of a company's pipeline fit in with the old.

In the case of Novartis, she likes the lineup, especially two new products that treat Alzheimer's disease and Parkinson's disease, each with the potential to bring in 500 million Swiss francs (\$325 million) a year in sales, followed by two promising drugs down the line in two years, one for helping organ-transplant patients and the other for a type of psoriasis. "Those last two could be even bigger," she said.

But it also becomes clear why research and development are so costly when Ms. Dyson noted that it typically takes eight years for a drug to go from conception to market. "Exelon was relatively quick, about six-and-a-half years," she observed, referring to Novartis' new Alzheimer's treatment, the first to be approved in Europe. In another important move, Novartis announced recently that it will invest \$250 million over the next decade in a genetic research center in America, where it would have the first opportunity to develop commercial products from any discoveries in this new field to emerge from the center.

The critical role of research and development was underscored last year when Bristol-Myers Squibb Co., whose R&D has lagged its competitors, hired Peter Ringrose, the former research chief of Pfizer.

While it is common in the pharmaceutical industry for a big player with deep pockets to farm out research and development of a drug to smaller concerns, Bristol-Myers had become too reliant on such alliances to fill their drug pipeline, said Sarah Ross, an analyst with Edward T. Jones, a St. Louis brokerage, who has a buy rating on the stock.

"Now they realize it's more profitable to develop in-house, because they won't have to pay a cut of the profits to a drug developer," she said. Under its new research chief, the company will

The World's Biggest Spenders in Research and Development

General Motors	R&D spending, in billions of pounds	R&D as a percentage of sales	NTT	R&D spending, in billions of pounds	R&D as a percentage of sales
Ford Motors	3.85	4.1	Volkswagen	1.49	3.9
Siemens	2.75	7.6	Intel	1.43	6.4
IBM	2.62	5.5	Hoechst	1.35	7.7
Hitachi	2.35	5.9	Bayer	1.34	7.2
Toyota	2.11	3.7	Sony	1.32	5.2
Matsushita Electric	2.03	5.7	Northern Telecom	1.30	13.8
Daimler-Benz	1.91	4.6	Johnson & Johnson	1.30	9.5
Hewlett-Packard	1.87	7.2	Bell Canada Enterprises	1.24	8.8
Ericsson Telefon	1.86	14.5	Philips	1.22	5.3
Lucent Technologies	1.84	11.6	Roche	1.21	15.5
Motorola	1.67	9.2	Honda Motor	1.17	4.7
Fujitsu	1.65	7.8	Pfizer	1.17	15.8
NEC	1.63	7.0	Microsoft	1.17	16.9
Asea Brown Boveri	1.61	8.5	Boeing	1.17	4.2
Elf du Pont de Nemours	1.58	5.8	Glaxo Wellcome	1.15	14.4
Toshiba	1.55	8.1	Alcatel Alsthom	1.11	6.8
Novartis	1.54	11.8	Robert Bosch	1.10	7.0

Source: The Department of Trade and Industry

International Herald Tribune

Trick: Using Discoveries Fast and Well

Low-Tech Firms Profit From Innovation But They Can Be Hard to Spot

By Sharon Reier

ANECDOTAL evidence that investment in research and development benefits even low-tech companies is compelling, but unfortunately, investors cannot just search on the biggest spenders, executives and analysts said.

Research spending is difficult to quantify, and in some industries companies that take big chunks of their revenue and plow it back into developing new products and services are actually penalized by the market.

"Companies that spend a lot of their own money on R&D as a percentage of sales do not necessarily add to shareholder value," said Ron Jonash, who heads Arthur D. Little Inc.'s practice on technology and innovation management.

The consultancy recently conducted a study of research at 669 international companies. Mr. Jonash said his team found: "In innovation, the most important thing driving performance is how well and how fast you deploy the technology. Companies that manage innovation well do have a high correlation with performance."

Certainly, there are companies that do it well, not just in Silicon Valley, although low-tech industries tend to spend a lower proportion of their sales on research. Consider Gillette Corp., the maker of toiletries and associated products. It spends 2.2 percent of its \$10 billion in annual sales on research and development, about twice the level of the average household products company, though far less than the double-digit figure of Microsoft Corp.

Even in a high-priced American stock market, Gillette fetches a premium among investors, with its stock selling at nearly 46 times its latest 12-month earnings and nearly 40 times prospective earnings, roughly 1.5 times the comparable ratio for the overall market. Investors who have held the stock throughout the decade have seen their money multiply more than 10 times.

Yet Gillette is not resting on its laurels. Although it already dominates the world market for razors, the company this month plans to roll out a new model, the Mach3, which bonds diamond-hard carbon to silver to steel to make shaves smoother. Gillette has invested \$750 million on developing the Mach3.

An even bigger spender, relative to its sales, is Valeo SA, the French auto parts company that last month added ITT Industries Inc.'s electrical systems operation to its busi-

ness. Valeo said it spends 6 percent of its sales on R&D and as much as 9 percent on electrical and lighting systems. Valeo sells at about 21 times trailing earnings, and investors who have held it throughout the 1990s have seen the value of their shares quadruple.

Mr. Jonash of Arthur D. Little said it was not so much the research spending that investors prize as their success in turning the ideas into innovative products and services. This, he said, was a change from the early part of the decade, when the focus was on cutting costs. "In the early 1990s there was a strong emphasis on lean production and overhead cost reduction," he stated. "You could look at shareholder value by industry and those valued highest were those pursuing cost cutting."

Over the last few years, however, "the leaders in virtually all industries are those who have highlighted innovation and how to grow the business," Mr. Jonash continued.

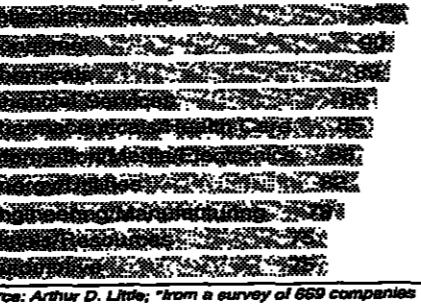
He cited Chrysler Corp. as a company that successfully played the innovation game, even though it did not increase its R&D budget. "It has completely been able to change the rules to use innovation," Mr. Jonash explained. "It got its suppliers in the automotive industry to take on the role of R&D."

The suppliers agreed that their innovations would be offered to Chrysler before its competitors. How did the automaker arrange this? "They streamlined their production and development so that they can bring the technologies in late into the design-and-production cycle," Mr. Jonash said, "and can get them to the customer faster. They were the first with integrated seatbelts, side impact safety, airbags and an integrated childseat."

Adjusted for splits, Chrysler's stock was worth as little as 75 cents a share in 1981, after the U.S. government had to guarantee its loans just to keep the auto-

Innovation Means Success

Industry's view of innovation as a critical success factor, in percent.



Source: Arthur D. Little, from a survey of 669 companies

maker in business. Its stock is now worth more than \$56 a share as the company awaits its acquisition by Daimler-Benz AG.

Innovations can also flow across the Atlantic in the opposite direction. A decade ago, Nucor Corp. made a \$300 million bet on an untested German technology known as thin-slab casting and is now one of the most highly valued U.S. steelmakers.

The company, which was begun as an automaker by the Oldsmobile founder Ransom Olds, introduced minimill technology nearly 30 years ago. With its advances in low-cost production technology, Nucor can turn a profit in steel even when prices are relatively low.

Its price-to-earnings ratio of 14 compares favorably with the old-line integrated steelmakers such as USX-U.S. Steel Group Inc., valued at six times trailing earnings, or Bethlehem Steel Corp., which has a P/E ratio of just over 5. The company is developing a new process of turning iron carbide into steel.

Yet an investor would not be able to tell the extent of Nucor's R&D commitment by studying its financial statements. John Correnti, the company's president and chief executive, said none of the \$10 million it has spent so far in building its pilot iron carbide plant in Trinidad is classified as R&D. "We consider it a new plant. It is a new technology. We don't write it off as R&D. If we think it is a good idea and it makes economic sense we will make a substantial investment in it."

Besides, Mr. Correnti said, much of its research comes from outside the company, presented by sources who know Nucor's reputation as an innovator. "Hundreds of people come to us from all over the world," he said. In this case, the company's main role is to reject inappropriate technology, he added. "Ninety percent of the ideas don't amount to a hill of beans. Some are good ideas but they won't work economically."

This illustrates the difference between successful innovation and brute spending, Mr. Correnti said. "It's like being a race car driver," he said. "Anyone can buy the most high-tech race car. But you have to have the knowledge and skill to drive it."

Even if the amount of money spent does count, most published R&D figures are neither reliable nor comparable. Surveys on the subject tend to be based on the amount of

Continued on Page 17

Get Them While They're Cheap: Detroit's Big 3 Benefit From Asia

AS GENERAL Motors Corp. struggles with strikes that have shut most of its North American assembly plants, investors are wrestling with an equally vexing problem: Why are auto stocks off to a slow start?

Before we get to GM, let's look at Ford Motor Co., which not only has no strike but also will benefit from GM's labor troubles. Ford is rolling in dough. Over the past five years, it has reaped profits of \$23 billion, including a record \$7 billion in 1997, and it has more than \$25 billion in cash in its coffers.

Ford has a dividend yield of 2.9 percent, while the average stock in the Standard & Poor's 500-stock index has a yield of just 1.4 percent. Ford has a price-to-earnings ratio of 10, while the S&P average is 27. The market is valuing Ford as if it were a sluggard.

But Ford has become a great business. In the teeth of tough competition, in Asia is bad for U.S. businesses because it weakens demand and leads to severe downward pricing pressure on American goods as cheaper Asian ones flood U.S. markets. But Ms. Keller sees the auto situation differently.

Chrysler, with the best profit margin

in the industry, has been earning more than \$2 billion a year since 1992. Yet even after the Daimler bid, it carries a dividend yield of 2.8 percent and a P/E, based on projected year-end profits, of just 11.

As for GM: Sure, it has high costs, shoddy products, and terrible labor relations. But those ills are obvious. They will eventually be fixed.

As a result, GM's P/E seems awfully low — just 8, along with a yield of 2.8 percent.

So, are auto stocks cheap? Maryann Keller thinks so. She has analyzed the industry, current and projected, for the past 26 years, and she has found that the industry's price-to-earnings ratio is 10, while the S&P average is 27. The market is valuing GM as if it were a sluggard.

Many economists believe the crisis

in Asia may not realize it," she said, "but they face a whole new ballgame." Access to capital will be the big edge that the Americans will now have.

Salomon Smith Barney Inc. agrees. It recently issued a report called "The Search for Value in Global Autos," featuring a glowing buy recommendation for Ford. The analysis noted that "cost reduction totaled an astounding \$3 billion in 1997, [increasing] Ford's ability to post solid earnings in the face of high-

er marketing costs." Salomon also gives it the top ranking ("1") to Daimler, praising it for the Chrysler deal, which appears to be a perfect fit: German engineering plus U.S. marketing. German luxury mated with U.S. middle-class appeal.

What about GM, which is still the No. 1 automaker in the world? Salomon offers only a "3" rating, and just five of 17 analysts polled by Bloomberg News recommend that the stock be purchased.

While Ms. Keller is unhappy with GM's complacency — for example, its delay in bringing out a Cadillac sport utility vehicle and its refusal to allow

its best division, Saturn, to offer a broader line — she thinks the stock is cheap, especially now that it has taken a hit due to the strike.

Another believer in GM is Mark Holowesko, the value hunter who manages the huge Templeton Growth Fund with a portfolio of global stocks. GM is his largest U.S. holding. The company is "generating a huge cash flow," he says, and if it sold Hughes Electronics Corp., the stock would get a big boost.

The fund's largest holding of any kind is Volkswagen AG. Volkswagen is the darling of the auto industry. It is "sold out across most of its model range," according to a new report by Stephen Reitman and Alec Shutze of Merrill Lynch & Co. "Customers are fighting over the new Beetle in the U.S., while delivery times extend up to six months for the Golf, Passat, A6, A3 and Octavia in Europe."

Volkswagen, however, is hardly a secret. Its stock is up 79 percent this year. But its P/E ratio, based on estimated earnings for 1998, is still only 14, and Merrill's analysts have raised its rating to "buy."

Washington Post Service

Continued on Page 17

J. P. C. 1998

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THE MONEY REPORT

Perhaps in Vain, Israel Adapts Dual Citizenship Strategy to Stocks

By Jessica Steinberg

DUAL CITIZENSHIP is one advantage that Israel offers to keep immigrants coming. Now it is trying to use dual citizenship to keep stocks from leaving.

Officials of the Tel Aviv Stock Exchange, worried about a flight of prominent Israeli high-technology stocks to the Nasdaq market in the United States, are trying to entice them back. The exchange is hoping that these companies will at least agree to list their shares in both places.

But the likelihood of a return home for most of these listings is considered weak. The impediments range from a cumbersome Israeli bureaucracy to a perception that Nasdaq is the pre-eminent market for high-technology companies trying to raise money.

Nasdaq dwarfs the Tel Aviv exchange. The \$264 billion market capitalization of Microsoft Corp. alone is

three times the value of all the listings on the Tel Aviv exchange.

More than 100 Israeli companies are listed on Nasdaq, making it the largest source of new Nasdaq listings after the United States and Canada. Only five of those companies are also listed on the Tel Aviv exchange.

The Tel Aviv exchange lists more than 650 companies, including banks, insurers, chemical makers and construction companies.

Ronit Harel, head of the exchange's listings department, said it was hoping to make itself more like Nasdaq, and her optimism is shared to some extent in Israeli brokerage firms.

"It will become in fashion to list in Israel," said Eli Nachum, head of trading at Zanex Securities Ltd. in Tel Aviv.

Nonetheless, he said, "the fact that Israeli companies aren't traded in both exchanges is a disadvantage."

To many Israeli high-technology executives, the Nasdaq is preferable because of its enormous liquidity. With far

more money in the market, it is easier for stocks to be bought and sold at fair prices.

Moreover, most Israeli technology companies, whether they are selling high-speed modems or Internet security software, are exporting to the United States. More often than not, their investors are Americans who are more willing than Israelis to back risky ventures.

"Israeli investors are a little scared of the high-tech stocks," said Ron Levkowitz, co-general manager of Epion, a Tel Aviv money-management firm.

Mr. Levkowitz said 90 percent of the Israeli equity market was held by local institutional investors, pension funds and other large trust funds that by law can invest only 15 percent of their assets in stocks.

In addition, Israeli fund managers cannot buy more than 10 percent of their stocks outside Israel.

Gil Schwed, chief executive of Check Point Software Technologies Ltd., an

Israeli provider of security software, said he never thought about listing in Tel Aviv. Check Point went public on Nasdaq in June 1996 at \$14 a share with a market capitalization of \$450 million. The shares now trade at \$32, with an average volume of one million shares a day and a market capitalization of more than \$1 billion.

"It's all about prices," Mr. Levkowitz said. "No one in Israel will pay the kind of prices the high-techs are commanding in the U.S."

Mr. Schwed said that from his perspective, the Tel Aviv exchange was not sophisticated, with insufficient trading volume and too little analyst coverage. He also criticized what he called unwarranted restrictions on market freedom imposed by the Israeli Securities and Exchange Commission.

It is a common criticism. David Arzi, chairman of NICE-Systems Ltd., a provider of telephone computer systems, lists on both exchanges. But he said listing on the Tel Aviv exchange was

akin to walking down Jerusalem's Via Dolorosa, or Street of Sorrow, the winding path that Jesus supposedly took from prison to his Crucifixion.

Quarterly reports must be filed with the Israeli securities commission and sent to all shareholders before publication, and the company's full prospectus must be rewritten in Hebrew. There are also restrictions on employee stock options; if options are offered to more than 35 employees, the company must publish a new prospectus.

"It took four months to give stock options to 88 of our people," Mr. Arzi said. "In certain aspects, Israel is the last Bolshevik country."

The Israeli securities commission is re-examining its listing requirements to help lure the Israeli companies back.

Mr. Arzi's decision to list his company on the Tel Aviv exchange has not been all bad. Indeed, NICE-Systems' experience is one reason that young Israeli companies might want to list their stocks at home.

NICE first went public on the Tel Aviv exchange in December 1991. At the time, the company had \$1 million in profit and needed cash to reinvest in its products. Mr. Arzi said he chose Tel Aviv over Nasdaq "because it's easier when the lesserspeak your language."

Teva Pharmaceutical Industries Ltd., Israel's largest pharmaceutical company and one of the Tel Aviv exchange's blue-chip stocks, is 60 percent owned by American stockholders.

Dan Susskind, Teva's chief financial officer, said there was a nationalistic reason for listing on the Tel Aviv exchange: "just like building a Teva plant up north when there's shelling from Lebanon."

However, Mr. Susskind said, he will never leave Nasdaq, his home away from home. "Listing on Nasdaq has made all the difference for us," he said. "It's the difference between watering your company's crops from a plane instead of a pitcher."

New York Times Service

BRIEFCASE

Yen's Level a Sign of Things to Come

Many newsletter writers looking at the Japanese economy this week had their doubts, and it seems there is nobody who thinks things will turn around soon.

Investors who fear the country's recession will trigger market collapses elsewhere might use the value of the yen as a leading indicator. Stephen Roach, chief economist of Morgan Stanley Dean Witter & Co., writes: "The issue is where the yen finds a new equilibrium. If the yen can be contained over the near-term to a range of 140 to 150 against the dollar, then world financial markets should be able to breathe a sigh of relief."

Problems would arise, he said, if the dollar were to rise to the 180-yen-to-200-yen range. "Then all bets could be off. The Chinese could well respond by upping the ante and sounding another alarm on a possible devaluation." If China were to devalue the yuan, "then a new round of competitive currency devaluations in Asia and the rest of the world could be triggered — a scenario that would spark sharply reduced expectations of global economic activity and earnings prosperity. World equity markets, under those circumstances, would go down hard."

Last month, Japanese and U.S. authorities intervened in currency markets when the dollar rose above 143 yen. It fell below 137 but has since risen back to more than 139. (IHT)

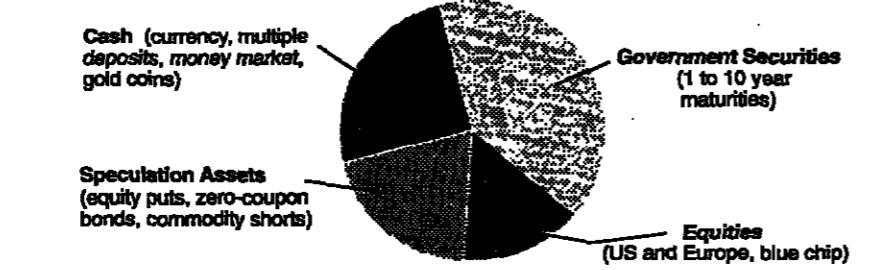
Y2K Bear Raises Recession Odds

Just in case the Asia situation does not make you nervous enough about your investments, Edward Yardeni, the chief economist at Deutsche Bank Securities Inc. in New York, is growing increasingly concerned about the Year 2000 problem, and he has raised the odds of a global recession to 70 percent from the previous 60 percent.

The Y2K problem, as it is known, is the seemingly silly situation created by computer programs that use two-digit numbers to define years. At the turn of the millennium, the '99 will roll over into 00, and "at least some vital computer systems in government and business are likely to malfunction," according to Mr. Yardeni. What would happen next is anybody's guess, although the worst-case scenarios are pretty bad. None of the possibilities are particularly heartwarming for investors.

Mr. Yardeni has been following the issue for months, and he is growing increasingly concerned. "I can no longer say with any confidence that there is enough time to avoid a severe global Y2K recession," he said in an advisory this week. He cited a "pessimistic" response from global leaders; a "too-slow" pace of progress by the U.S. government; and a lack of information available on what is being done outside the United States, where "the level of awareness is dangerously low in most countries."

Y2K Financial Asset Allocation Model for Individuals*



*This is just one of many possible model portfolios. It is based on a 70% chance of a global recession in 2000. No assurances about performance are given.

Yardeni's Equity Portfolio Recommendations for Y2K Scenario**

Overweight	Underweight
Consumer	
Food & Drug Stores	Automobiles
Beverages	Department Stores
Tobacco	Electronics
Discount Department Stores	Leisure
Home Improvement	Telecommunications
Hospitals	
Drugs	
Publishing & Newspapers	
Entertainment	
Finance	
Regional Banks	Money Center Banks
Insurance	Other Financial Institutions
Transportation & Shipping	
Trucking Services	Airlines
	Sea Freight
	Railroads
Business	
Temporary Personnel	Business Services
Security Services	Business Equipment
Utilities	Business Products
Technology	
Personal Computer	Computer Services
Computer Services	Networking
Networking	Distributors

**Source: General's Warning: Y2K could be very bearish for all stocks. This table is only a guide for possible relative performance in a bear market.

Source: Deutsche Bank Research

A Y2K-induced recession, Mr. Yardeni said, could cut \$2 trillion from the global economy. Although he said it was too soon to start making defensive investments, he suggested asset allocations that would move investors out of risky areas like commodities and emerging-market stocks and into government bonds and cash.

He also mentioned some industries whose stocks might benefit and others to avoid if the Y2K recession scenario comes to pass but the situation is not so severe that it causes a widespread Wall Street collapse. (See table.)

His picks indicate people will be shopping at home-improvement stores more than visiting casinos, while shippers send goods via relatively independent trucks rather than system-oriented trains and planes. (IHT)

Club Med Party To Ease Asia Blues

If you are worried about Asia but do not think the Y2K problem spells the end of the world and you want to buy stocks in emerging markets, ING Barings Securities Ltd. says, "Party on in Club Med."

ING Barings identified Greece, Israel, Portugal and Turkey as relatively insulated from the Asian contagion. "Real economic links with the Far East are weak, and the influence of the European Union and unique domestic factors are far more important." In fact, if things get better in Asia, "stretched valuations" in Greece and

Portugal and "political risks" in Israel and Turkey "may be enough to ensure a period of underperformance" relative to other emerging markets.

But assuming the Pacific remains under pressure, these emerging European markets provide relative safe havens, preferable to Latin America because of that region's closer economic links to Asia.

All four Mediterranean markets have advanced this year, with the sharpest gains in Greece, whose key index is up more than 69 percent in drachma terms and 57 percent when measured in dollars.

Turkey, which ING Barings said had the cloudiest outlook of the four, has seen its national industrial index rise 36 percent in first terms but a mere 5 percent gain in dollars. That is a reflection of the country's inflation rate of about 80 percent at the wholesale level, which is unlikely to meet the government's target of 50 percent by the end of the year, ING Barings said.

The problem is that measures the government must take to reduce inflation would slow the economy ahead of elections scheduled for April. (IHT)

Turkey's Appeal

Inflation problems notwithstanding, prices on the Istanbul Stock Exchange are likely to get a lift from some good news on the budget front. If you cannot cut your deficit by reducing expenditures, you can try to raise revenue, and privatization revenue plus public offerings of shares in state-owned phone com-

Taking Some Risk Out of Sector Funds

Here's an Investing System for Volatile Securities That Appears to Work

By Carole Gould

work. He has tested with calculations of how the system would have performed back to 1990.

The best time to buy into a sector, of course, is when it is undervalued. When an industry group sells at a discount to its historical valuation, he said, the odd increase that it will beat the market. Moreover, the discount usually reflects widespread skepticism, limiting the potential for loss.

This is not surprising. After all, if diversifying stock portfolios can limit their volatility, then narrowing their focus to single industries will increase it. The potential losses can be big. Last year, for instance, the Fidelity Precious Metals & Minerals fund plunged 44.9 percent.

Nevertheless, Fidelity Investments, the leader in the field, has 40 sector funds with a combined 1.2 million shareholder accounts. The investors, presumably, are looking to bear the market by being in the right sector at the right time.

That is more easily said than done, but Jack Bowers, who edits the Fidelity Monitor, an independent newsletter in Rocklin, California, has developed a sector-fund investing system that appears to work.

Mr. Bowers compares cur-

rent industry ratios with historical ones. Industry groups that show up as undervalued are considered good buys.

He figured that during the last eight years, investors who consistently held Fidelity sector funds in the 10 most undervalued industries by this measure, could have earned average annual returns of 24.2 percent, compared with just 16.6 percent if they had invested in the 10 most expensive sectors.

Mr. Bowers has also devised a system for timing the sale of sector funds. First he looks for the 10 most attractive sectors — those with the lowest price-to-book ratios relative to their average ratios over the last five years. He then recommends selling any sector fund that falls out of this top 10 twice a row in its six-month evaluations, moving the proceeds into the cheapest sector fund on his list.

Why wait six months rather than selling the first time the sector falls out of the top 10? He says it takes the marketplace six months to recognize value.

New York Times Service

Drug Firms' Wagers

Continued from Page 15

double its R&D staff over the next few years, emphasize getting products to market quickly, and institute a pay-for-performance system for top researchers. He is also boosting its R&D spending by 20 percent over last year.

Like Mr. Atkins of Lehman Brothers, Ms. Ross noted the importance of Bristol-Myers' marketing strengths, especially in the United States, where new regulations have allowed it to advertise aggressively for core drugs such as Pravachol, which reduces cholesterol, to consumers via television and magazines. She is forecasting earnings per-share of \$3.60 for this year and \$4.04 in 1999.

"Being successful in pharmaceuticals is a package deal," Ms. Ross said. "You have to have strong management and a firm that's financially sound, but also one that is growing. And research and development is the biggest part of that growth."

U.S. and European companies do the lion's share of R&D in pharmaceuticals, but in Asia, Japan has produced some successful products as

well, according to Sergio Traversa, an analyst with Mehta Partners, a New York City research boutique specializing in drug and biotech companies.

Although he does not rate companies, Mr. Traversa said that Takeda Chemical Industries is Japan's most advanced of 10 companies active in drug research. Despite its name, the company gets about 70 percent of its sales from pharmaceuticals, and will spend about \$500 million on research this year.

"It also has the most interesting pipeline," he said, noting that Lupron, its drug that fights prostate cancer, has already topped \$1 billion in sales a year in the U.S. Two new products with billion-dollar potential are Takeda's drug for high blood pressure, approved for sale in the United States a few weeks ago, and its diabetes drug, which it will co-market with Eli Lilly & Co. Such international marketing deals are must for a Japanese company, said Mr. Traversa, who sees little growth ahead in its domestic market.

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Men's Fashion



From summer 1999 collections: Dior's silk and wool unstructured jacket and knitted shirt, and Raf Simons' sleeveless tailoring with ultra-long pants.



The Cozy Way to Shop in Paris

By Alicia Drake

PARIS — Shopping at La Belle Hortense bookshop and literary bar in the Marais is not unlike dropping in on someone's home for a drink. On a Friday night and in a shop the size of a Parisian living room (31 Rue Vieille du Temple), the owner Nathalie Chikroun is the perfect hostess, flitting between guests, greeting, gossiping and filling empty glasses.

Only they are not her guests, they are her customers. Some sit around quietly reading their novels, others peruse the bookshelves with glass in hand. One man has found the volume of poetry he was looking for, only he has come out without cash. "Oh, take it," said Chikroun with a wave of her hand, "and pay next week." That makes the third book in 30 minutes to walk out of this shop on a "read now, pay later" basis. Either Chikroun is philanthropic in her approach to retail, or she is onto something. For every vast and shiny mega-store springing up around this city, there grows a diametrically opposed longing for what the French call "cozy" boutiques. Not cozy in the sense of cookie-cutting and paper doilies, but a French interpretation of the word. For shopping read intimate spaces, hand-picked or exclusive product, furniture rather than shop fittings, and sales staff who remember your name.

It is the retail version of a neighborhood bar and La Belle Hortense is not alone in Paris in offering a cool take on cozy. The boutique owner Maria Luisa opened a menswear store in January (15 Rue Cambon) selling Helmut Lang, Alexander McQueen, Raf Simons and Ann Demeulemeester. The designers are cutting edge, but the boutique ambience is a comfort zone with a large sofa center stage, a pouf to rest your feet on, magazines and art books to flick through and trays of espresso or pastis delivered from the brasserie across the road.

Maria Luisa picked an intimate shopping genre because she believes it appeals to the male sensibility, particularly when it comes to clothes shopping. "Men are always in need of

an awful lot of reassurance when they are shopping for clothes," said Maria Luisa. "Already the very mention of the word designer and they are running scared, so if you want to get them into designer fashion, you cannot afford to intimidate them with the wrong shop ambience."

Hence, she gave her interior architect, Laurent Buttazzoni, a design brief of "a dressing room and gentleman's club feel and above all, a place to gossip with friends."

In the 15th arrondissement, Mary Shaw has taken intimate shopping to its logical conclusion by opening her interior furnishings store Sequana in an apartment (64 Avenue de la Motte Picquet). She chose the setting because, she said, "I am offering a lifestyle, and life rather than a decoration shop." And although the apartment is not her home, she has decorated it to look the part with vases of foxgloves and cowslips, logs piled high, a roaring fire in winter and a yellow Labrador curled up in the hall.

Shaw, who is Irish and resident in France, sells furniture, objects and furnishings made for her by artisans in Ireland, Scotland and France, with the emphasis on color and traditional fabrics reinterpreted through contemporary design. There are lean day beds covered in Donegal tweed, French cedar wood stools with Irish black and white striped mattress linens, mohair throws and earthenware plates and terrines.

The male customer here tends to be playing a support rôle, that is accompanying his wife or partner. Shaw finds men appreciate her home setup because "they find it easier to visualize how a piece will look in their own home. They also find it less stressful than flogging round a department store." Perhaps that also has something to do with her Irish hospitality habit of offering a glass of whiskey to evening customers.

It is not just the reassuring nature to these shops that customers enjoy: it is the fact they have soul. They are quirky, individual and a world apart from those 18,000-square-foot, tastefully taupe monuments to retail you have already seen on every Madison Avenue, Via Spiga or Bond Street corner. They are also very Parisian in attitude and style.

ALICIA DRAKE is a fashion and style writer based in Paris.



Customers at La Belle Hortense bookshop in the Marais relax as they look through collections of soccer cards.

A New Generation Picks Up The Stitches of Tailoring

By Suzy Menkes

PARIS — Is there fashion life beyond sportswear? That is the challenge facing the French menswear shows which opened Friday, hard on the heels of the Milan season.

Edgy or traditional, designers have to find a way to combat the might of the Italian fashion industry, which made luxurious casual clothing the key to the summer 1999 collections.

When Yohji Yamamoto opened his show Friday with soft shirt-jackets, it underscored the debt that current fashion owes to the deconstruction introduced by Japanese designers in the 1980s.

But Yamamoto was onto a whole new thing: love. Showing in pairs and on couples, the menswear was worn by both men and women, who walked hand-in-hand through the vaulted airy space of the old French stock exchange.

"We need romance," said Yamamoto as he took applause backstage for a show that was fresh and charming, with its lettuce green colors and sudden patches of flower print sprouting among the black and white.

In a return to his Japanese roots, the designer gave an ethnic spin to Asiatic, square-cut suits, even using wood-grain fabric or patches of fishing mesh attached. As shirts floated free over the designer's signature clear-the-ankle pants, the impression was of lightness and harmony.

But the show was also about incisive cutting, even in the soft and wrinkled fabrics. Couples strolling out in varied white shirts, decked with scarlet neckties or red ribbons, made a sweet finale to the quirky show.

Pierre Cardin once stood for revolution, when his challenge to the stuffy, conventional suit introduced the streamlined, athletic silhouette that marked the 1960s. And there it was again at Friday's show, the oh-so-familiar jerkin with winged shoulders over jersey pants, looking like a medieval knight taking the space shuttle.

The other key attraction is their level of personal service. At the designer fashion boutique Flower in the 7th arrondissement (7 Rue Chomel), the owner Ousui Nakamura is a one-man band, from attending all the shows and buying, to serving in the shop and pinning up the hems for his clients' alterations. After three years selling alone in a small space, he still has no intention of expanding the premises. "I prefer to remain small so I can continue serving my 10 to 40 clients a day myself," said Nakamura. "It also means I can keep the shop's reputation for being underground."

The trend for coziness goes beyond just retail. Le Fumoir, a fashionable restaurant, (6 Rue de l'Amiral Coligny), has a dining room designed to look like a library in a private house, where customers can sit and read the newspapers or a novel from the bookshelves. And over at the Hotel Costes gym, the membership is restricted to 80 people. There are no forms to fill in when you join and no one carries a membership card when they use the gym. Apparently there is no need. Everyone knows your name.

And that is the real pull of cozy, the home-from-home sensation of belonging. As Chikroun at La Belle Hortense summed it up: "Since we opened in February, we have very quickly built up a group of regulars. They drop by several times a week. People meet, start talking to one another or bump into friends. It's the social side and friendliness to shopping they enjoy."

ALICIA DRAKE is a fashion and style writer based in Paris.

Men Wake Up To Accessories Fast-Growing Market

By Roger Tredre

LONDON — Not so long ago, most men's idea of an accessory was a flashy tie or a chunky watch. Now men's accessories are one of the fastest-growing sectors in fashion, and the customer has become a more discerning species.

On a rainy summer's day in the London department store Harvey Nichols, a 33-year-old advertising executive, Geoffrey Allen, was on the hunt for a pair of shoes. His target? The new square-toed, square-heeled loafer, called the Soho, from the British footwear designer Oliver Sweeney.

"Getting the details right is important," said Allen. "The shoes, the belt, the watch. At the end of the day, a suit looks like a suit, but a nice accessory makes all the difference." Sweeney himself, who often likes to mix with his customers in the Harvey Nichols menswear basement, nodded in agreement. "Men are catching on to the women's idea that accessories can lift an outfit, take a boring jacket into a new stratosphere."

Sweeney, who began selling to seven stores in Japan this summer as part of a concerted export drive, is planning to test the market this fall with a select line of attaché cases, belts and other leather items. "If you're an accessory designer, this is exactly the right time to expand," he said.

In truth, every designer wants in on the accessories market. Cross-stretching brands via licensing agreements is a gain-without-pain means of expanding a business.

From Giorgio Armani to Yves Saint Laurent, established fashion houses are working hard to pep up the profile of their accessories collections, with watches the fastest-growing sector. Accessories are being featured more in fashion ads, even when the ads are ostensibly promoting clothing. They are also playing a bigger role on the runways.

"Men's designers are certainly offering more," said Nick Sullivan, associate director of the British men's fashion magazine Arena Homme Plus. "But men are also calling for it. They are creating more choice for themselves."

Reports from retailers in Britain suggest that one of the biggest new growth sectors is small bags. Men are hunting for the male equivalent to a handbag. Their ideal solution: small square bags with long straps from labels such as YMC.

Even jewelry for men is catching on. Rings by Wright & Teague and Manjet Virde are selling fast at The Library, the influential men's store in west London. Another Brit to watch: Jess James, which is selling all-gold prayer rings for £1,600 (\$2,560).

Retailers are delighted by the upsurge in accessory sales. "We're in a multisale situation. A guy buys a pair of trousers and he also buys a belt or a pair of shoes. It's good news for us," said Peter Sidell, co-owner of The Library.

Duchamp, a British accessories company, is to open a first flagship store in Notting Hill Gate, west London, in September, marking 10 years in business. Mitchell Jacobs,

favours traditional English fabrics, although he has designed a leather collection for Ruffo in Milan. That has sleek black leather V-sweaters and trim coats.

Simons is now planning to leave for Antwerp and move to New York for cultural stimulation, but says that he will continue to show in Paris.

Another young designer fascinated by the craft of tailoring is Udo Edling, 32, who shows Saturday.

"My idea is to perpetuate tradition, but not in the old way," says Edling, who comes from a family of tailors in his native Romania.

"There are the old Paris houses who do rigid tailoring," he says. "I try to modernize the cut of my suits and to use new materials, like a Japanese fabric with a two-way stretch. I have made it into fluid pants that can even be washed by machine."

REDEFINING the modern suit is the essence of the new tailoring. The soft-shouldered shirt-jackets at Hermès have taken Veronique Nichanian 10 years to perfect, the designer said of her pallid and deconstructed summer collection.

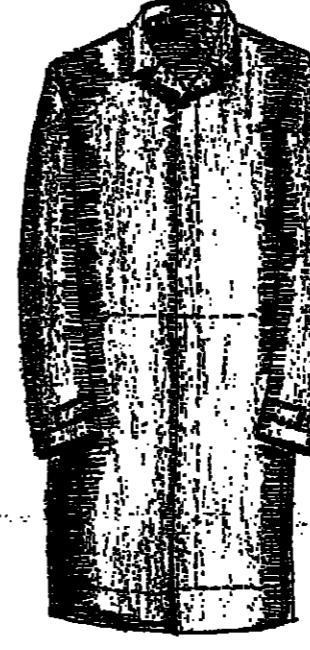
"It's a new architecture, creating a different kind of silhouette and comfort," says Nichanian, referring both to cutting on the bias to give shape without stiffness, and to the choice of fabrics like linen crepe, cashmere piqué and lightweight wool jersey.

"It's about soft fabrics worked in tailoring with nothing inside, deconstructed but not baggy," she says. "There is a new generation between 19 and 25 who are rediscovering suits — but they want to be modern — not dressed like their fathers."

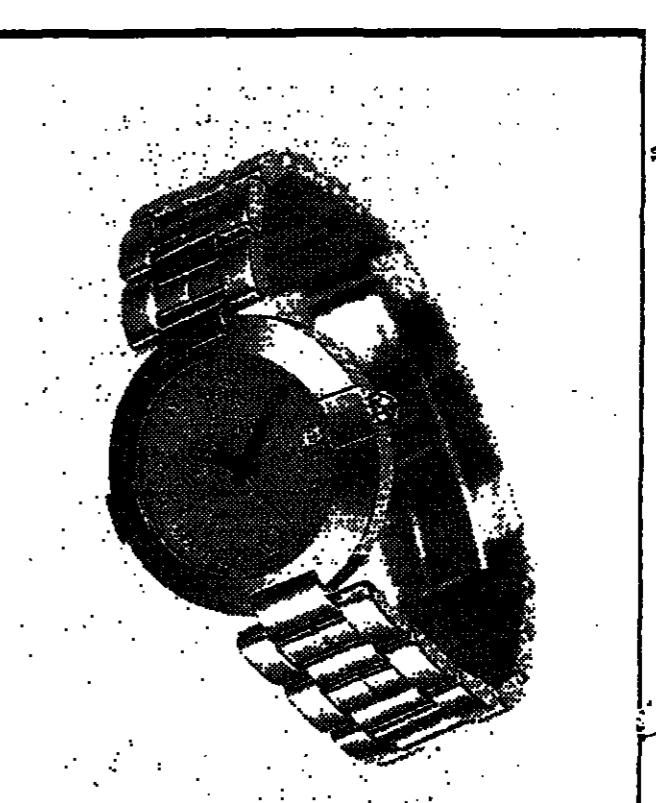
At the classic house of Dior, the designer Patrick Lavoix also wants his collection, to be shown on the Left Bank on Saturday, to capture an informal spirit, with soft jackets worked in fabrics technologically treated to be light and aerated.

"This is the last collection of the old century so it is a chance to stand up for Parisian chic, which does still exist," says Lavoix. "But dressing well doesn't mean wearing the style of the 1930s. Modern tailoring is not about a revolution but about the way that the silhouette is made supple and fluid and above all comfortable."

SUZY MENKES is fashion editor of the International Herald Tribune.



Udo Edling
Working drawing for tailored coat.



E. Layne
Round watch from Yves Saint Laurent's new series.

designer, said sophisticated understatement was the key trend for the new collection, leading on cufflinks and ties. "We have a line of subtly colored enamel cufflinks in grays and lilacs. Nicely understated," he said.

Accessories companies are also reviving — or reinventing — classic styles. If it sold before, why not try it again? The Paek Philippe Nautilus, a watch first launched in 1976, is one of many retro pieces staging a comeback.

In watches, fashion is moving on after several years from the trend for technical sports watches toward more designed, clean products. Gucci, Hugo Boss, and Emporio Armani have launched square-shaped watches with faces uncluttered by the paraphernalia of the chronograph.

The most fashion-conscious men are building "wardrobes" of accessories, which might mean three or four pairs of glasses and sunglasses and a collection of watches, ranging from smart to smart-casual to active for the beach or sports use. For others, it is the brand that counts. Among the hottest sellers this summer are Gucci buckled loafers and Prada Sports hipbags in waterproof flannel. Street labels are also reporting strong sales for accessories.

For fall, Gucci is predicting big business for its red and green webbing belts, reviving a 1970s theme. Gucci has turned the belt from accessory into an integral feature of clothing by adding belt loops to shirts — the accessory promoted to star status.

In design terms, Gucci accessories share common themes across both men's and women's collections. Taking its lead from the fragrance market, the unisex accessory could be a new trend: from belts to sunglasses, watches and bags.

A final thought: the definition of a designer accessory is widening all the time. Paul Smith, Britain's biggest menswear designer, sells cufflinks and ties by the truckload, but one of his best-selling accessories is more unorthodox. A round of applause, please, for the Paul Smith toothbrush.

ROGER TREDRE is features writer for The Observer.

PRADA

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Prada

MEN'S FASHION / A SPECIAL REPORT



Christopher Now, Andrew Thomas/DT

Armani's sheer sweater, showing the pectorals, with soft pants; Prada's nylon parka from the new sport range; Ferre's graphic patterned sweater, pants and suit; stars and stripes swimwear from John Bartlett for Byblos.

Armani's Great Escape; Prada's Active-Wear Sails Ahead

By Suzy Menkes

MILAN — What's he thinking about, this gray-suited guy off to work? One look at his chest, veiled in a shirt so sheer it looks like an ocean wave, and you know he's dreaming of a summer holiday.

Giorgio Armani took his collection on vacation and it made a gentle and fitting end to the Milan menswear season. Without chasing after the sportswear trend that filled many runways with track pants and drawstrings, Armani signaled a new ease for work as well as play.

"Relaxed, casual and comfortable," said the designer, who took his bow in an airy sweater, soft pants and sneakers.

For lazy summer days he envisaged beach pajamas, the unconstructed ethnic outfits you might find in Java and one sweater so sloppy it ended at the knees. Even the regular jackets were cardigan-soft and had subtle textures like bird-prints on sand.

The oceanic colors alone told the story, as a leather jacket came in a fresh Atlantic green and shades of blue washed over the tailoring. Or there might be a sudden flash of coral jacket and a seaweed purple for pants.

Nice and easy was also the message for the subtle changes that brought Armani's silhouette up-to-date: a new pant cut flat at the front but in liquid fabric; the jacket tightened across the back and at the arms and its collar skinny. The only strident note was sweaters bias-cut and asymmetrically sliced.

But what about all that sheer? Are men really going to put their pectorals on view in a see-through shirt or sweater? As with womenswear, the transparency is about a lightness of spirit — and it worked as part of Armani's great escape.

You want sports clothes? Then does Prada have new stuff for you! It showed its perfect pitch from the moment it opened with the house's signature nylon reduced to a fine sea spray.

That was for a new collection of active-wear parkas and ponchos that

came in cloud gray or off-white flashed with red.

Whereas the general trend is toward the sloppy and floppy, Prada's clothes are taut, clean and clinical: precise silhouettes tracing lab coats and Star Trek tunics. They reflect the futuristic, high-tech materials, like a poplin shirt weightlessly padded to give controlled volume or the dry paper finishes mixed with greasy nylon.

The way that Miuccia Prada has conjured up a clothing culture for menswear is impressive, not least because she never forgets the company's roots. The inspired finale had the famous Prada bags integrated into outfit, either as the crocodile-marked leather of a suit or the tweed canvas of a suit or as bags ergonomically built onto the garment.

"I started with the idea of an accessory that forms part of the body — not a backpack but something organic," said Prada after a show that showed the fast-moving company streaking ahead.

The brisk pace and a slender, tenderized silhouette gave a fresh look to Gianfranco Ferré's show. Abandoning

both macho heroics and overwrought detail, the designer played up the graphic, architectural side of his menswear.

The new image was based on the narrowing down of the suit and the use of light, opalescent fabrics that gave sheen without shine. For shirt-jackets, lightness was the key, with black lamé or silk or sheer materials lined with white cotton voile floating breezily against the body. When there was decoration, it was modern and graphic: broken lines like basting stitches.

FERRE had some theatrics, as clouds of chalk dust flew around garments splattered with white pattern. But then the designer was facing a perennial problem: to show the clothes or play to the camera eye?

Etro is convinced that the show's the thing. "Eurovision" it called the presentation, with morphing screen as backdrop and the models prancing out with a "third eye" on their forehead.

Yet the clothes were calmer than usual, offering blue workwear and Chinese-inspired, square-cut suits, with Etro's

signature prints subtly introduced as dark paisley patterned pants. And when prints were eye-popping, they were modern: wavy computer lines zigzagging across overshirts.

Showing his first Byblos men's line, the American designer John Bartlett took a theme. The program notes described a Steve McQueen-style Continental playboy. Well, in those screaming lemon yellow pants and orange shirt with conifer cutouts, he would be left right on the continental shelf.

Bartlett is a modern, if cerebral, designer. And the pieces he created were strong and current: the sleeveless sweater, the boxy overshirt, the well-proportioned white suit and T-shirt tracked with geometric lines. But his misguided Playboy theme emphasized an important fact about modern fashion: retro is over. All those past images from colonial through hippie have been wiped out. And Bartlett is too smart a designer to need a theme as a crutch.

Did all the Milan shows need to be seen on the runway? Although designers want to convey a mood and spirit to affirm their images, so much of modern fashion is in the details, like the narrow drawstring puckering the back of a blouson and the complex mix of diagonal pinstripes that appeared in the sporty collection of Richard Edwards, an American design duo.

At Alexander dell'Acqua's show, the individual details meant deliberately raw seams on pants and the corset-like sewing in flesh tones on the designer's delicately worked sweaters.

One winner of the season was Missoni, which took over a vast empty building, and constructed two long photographic light boxes. On them, in all their glorious, intricate stitches, were the knits. Their shapes went from small sweaters to generous cardigans and t-

colors were like the four elements: airy and pale, through richer earth tones, to the cool blues-greens of the sea and finally fiery reds.

With hip video clips of the clothes playing on a gigantic screen, the presentation turned into an art happening — a dramatic but practical way of making men's fashion come to life.

When Fashion Jumps Into Sports Arena

By Rebecca Voight

PARIS — Fashion and sport may just be a match made in heaven. Ticket scams and hooligans aside, 80,000 spectators and an estimated 1.7 billion television fans will watch the World Cup soccer championship on July 12 and the warm-up act will be Yves Saint Laurent's 300 models gliding through the Stade de France, a symbol of what Pierre Berge describes as "the mysterious wedding of beauty and sport."

From Prada's bid for the America's Cup in 2000 to Tommy Hilfiger's link with Ferrari's Formula One Scuderia team, fashion at all levels is playing high visibility sports to win over customers. Once the exclusive territory of technical clothing and footwear, sports sponsorship is the latest arena for hot fashion companies.

Prada's single-handed sponsorship of the only Italian challenge in the America's Cup race represents a budget estimated at more than \$50 million.

The two 16-member teams have been training since last August in the Mediterranean as well as in New Zealand.

Prada's managing director, Patrizio Bertelli, who sailed often in the 1970s, hand-picked the teams and also acquired three America's Cup class boats for them.

Miuccia Prada worked with new technical materials and techniques to develop the gear worn by the Italian teams. And this year she quietly launched a sport collection. "For us, this isn't Prada Sport, it is just Prada. The only difference is a new label and a different brand name," she said.

Starting with casual pieces for men this spring, Prada has added womenswear, shoes and accessories for fall, including down jackets, polar knit tops, nylon ski pants and hiking boots. The collection is being bought by hip stores that cater to young customers, like Colette in Paris which sells high fashion but also the latest sneakers for urban wear.

Prada has steered clear of the heavy-handed logoing employed by other designer sport lines. "Our idea is to mix technology with normal dressing," Miuccia Prada said. "You don't need to disguise yourself as a champion to practice a sport. In the long term, I see formal dressing for special occasions and an increasing number of people

wearing sportswear almost all day long."

According to Tommy Hilfiger, sports exert an "aspirational" appeal. His agreement with Ferrari for the 1998 season — an investment in the millions — includes outfitting the Scuderia team both on and off the track, as well as flashing the red, white and blue logo on the mirrors of the F1 cars.

The Ferrari designs won't show up in the Hilfiger collection before next year.

"Ferrari is the most sought after automobile in the world, the ultimate," Hilfiger said. "This is a dream, but it's really based, because we're always dressing the pit crew and they get greasy."

And Formula One racing captures a European audience, a clientele that Hilfiger is now courting after opening his first European store on London's Sloane Street last year.

Hilfiger, with roots in casual, urban clothing, sponsors a huge cross section of sports, from the American golfer David Duval to California surfers. For this year's launch of Hilfiger Athletics, his new

collection and third

grance, the world champion cycling stuntman Libor Karas was signed on for promotional events. The advertising campaign features sons and daughters of well-known sports people like Cassandra Jenner, daughter of Bruce Jenner, an Olympic decathlon champion; and Amir Abdul-Jabbar, son of the basketball star Kareem Abdul-Jabbar.

SPORTS bounce fashion's message out to an audience it could never hope to capture on its own. The beauty giant L'Oréal, for example, earlier this year signed up the French soccer player David Ginola who did a television spot from the Stade de France in Saint-Denis.

Nautica, an American newcomer to the European market, is smaller than U.S. competitors like Ralph Lauren and Calvin Klein, but it is betting on a sponsorship plan to forge a European identity. In the United States, Nautica has branched out from its sailing image into golf and basketball. In Europe, however, it remains true blue with the Nautica Match Racing Team, which is

to tour Europe and visit Russia and Japan as well.

"The name Nautica comes from the Latin word for water, but we don't want to be limited to water sports," said the company's European president, J. Michael Haight. "Men are attracted to speed and to extreme sports in general, but they also want real, functional clothes." Thus Nautica's founder and designer, David Chu, develops fabrics like Nautech fleece and clever inventions such as zipper pulls with a thumb print so the wearer can unzip more quickly.

Fabrics that have always been involved with sports like Quiksilver, which calls itself the boardrider brand, the challenge is to preserve its insider reputation among a core of surf customers while developing mainstream clothing. Quiksilver is set to open a shop on the Champs-Elysées in Paris and sees itself increasingly competing with bigger sportswear names.

"We're born in the waves. We're like the Nike of surfing," said Harry Hodge of Na Pali, Quiksilver's European licensee. "From there it was natural for us to enter all

the other extreme board sports, from windsurfing to skateboarding, snowboarding and skiing."

The brand, headquartered near Biarritz, puts surfers to work on product development, sponsors tournaments

and uses champion surfers like Kelly Slater and Robbie Naish to plug its image.

Hodge said, "I think it's great that generalist labels are

now turning to extreme sports to communicate with customers. That's something we've

always done, and the more people who see sport and fashion as one, the better it is for us."

REBECCA VOIGHT is a freelance journalist based in Paris.

Of Marketing, Magazines and Cultural Mores

By Godfrey Deeny

PARIS — In the not too distant future, European men will begin paying for magazines in the same currency. Yet what they find inside will continue to differ enormously throughout the Continent.

One of the great Holy Grails of European media, creating a European men's title, remains exactly that — an unfinished quest.

COMMENTARY

That is essentially because what European men look for, and find, in magazines varies enormously from country to country.

These variations in magazine content reflect important economic and sociological differences, which are not about to change soon. For instance, the average male university graduate in Britain gets his first salaried job at about age 22. In Italy, where students take longer to get their degrees and military service exists, he starts his career at about 27. That means that young Britons tend to start reading magazines at a much younger age and buying the products advertised within with their own, and not their parents, money.

Men's magazines also thrive most in periods of rapid change. One of the results of Thatcherism and Reaganism was the creation of a class of monied consumers who came from families that were unable to afford the luxuries of life. At its most basic, these consumers needed magazines to explain how to spend their money. All this helps to explain the startling difference in the sales of men's magazines throughout Europe.

In Britain, GQ, Esquire, Loaded, FHM, Arena and the recently launched Deluxe collectively sell well in excess of a million copies a month. In the more traditional cultures of Italy, France and Germany, national sales of men's monthlies are, at most, one quarter that amount.

The sheer number of titles has also generated a powerful school of British photographers, like Nick Knight, David Sims, Glen Luchford and Craig McDean, who shoot scores of ad campaigns throughout Europe. Their work also appears in a small group of men's fashion magazines — Dutch, Arena Hommes Plus, Yomo Vogue or Vogue Hommes International — which stand apart from more general men's magazines in that they are more international and avant-garde.

Part of the task of editing a men's fashion

magazine is showing designers and brands exciting new ways to look at their creativity. Older readers and advertisers, occasionally ask me why we feature shoots that are dark and, at least to them, strange. The answer is that we don't want to bore our readers by producing a magazine that looks like a catalogue. Others find it strange that not all of our models are gorgeous hunks, which is akin to female readers complaining about the "ugly beauty" trend so present in women's magazines.

Once again, the reason is that nobody reads magazines to find the tried and tested and that the concept of style and elegance changes for men and for women.

Returning to France, it is important to realize that it is a country where people are traditionally not keen to advertise wealth. French houses thus tend to be more conservative in their ads. As a result some forget a cardinal rule in fashion — a brand needs to periodically reinvent itself.

Fortunately, there are some exceptions. Under the design director Hedi Slimane, Yves Saint Laurent's classic cuts have become hip again. Many consumers arguably first became aware of this only after YSL hired the cutting-edge, London-based photographer Juergen Teller to shoot their ad campaign.

Louis Vuitton, Hermès and Kenzo are three other French luxury brands that have had major international successes by using their men's advertising to great effect.

One survey conducted for *Vogue Hommes International* showed that 95 percent of its readers responded to advertising from new brands. What readers wish to express by the way they dress, however, differs — Frenchmen want to be elegant, Italians refined and Germans different.

The purpose of fashion ads is certainly to stop people and make them think. Young men don't look inside their fathers' jackets to discover the label within, so ads are probably the most powerful tool that exists to simply inform emerging consumers of what is available in men's fashion.

One key reason Italian fashion designers are so well known is that they heavily outspend their European rivals. The great Milan houses spend a higher proportion of their budgets, about 4 percent per year annually, and up to 10 percent on launches. Significantly, Americans like Calvin Klein and Ralph Lauren have similar spending patterns.

GODFREY DEENY is editor in chief of *Vogue Hommes International*.

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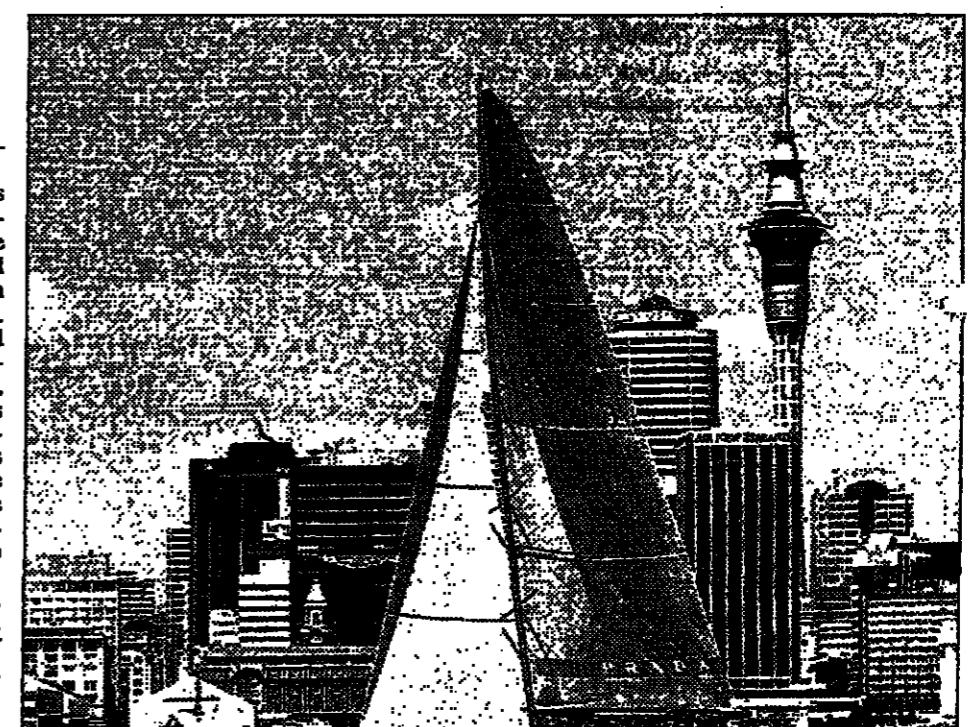


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Prada's America's Cup team training on the boat Kanza last winter off Auckland.

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WORLD ROUNDUP

Dallas Signs Hull

HOCKEY Brett Hull, the All-Star winger, signed a three-year, \$17 million contract with the Dallas Stars on Friday.

Hull, 33, a 13-year National Hockey League veteran with 554 career goals, turned down a \$15 million contract with his old team, the St. Louis Blues, in March. (AP)

Vikings Are Sold, at Last

FOOTBALL Red McCombs, former owner of the San Antonio Spurs of the National Basketball Association, has bought the Minnesota Vikings of the National Football League. The bid was said to be as high as \$250 million. An earlier bid by Tom Clancy, the novelist, had fallen through. (AP)

Cardinals Sign Drew

BASEBALL J.D. Drew, who refused to sign with Philadelphia last season but was picked again in the first round of this year's draft by St. Louis, has signed with the Cardinals, the team said Friday. The deal is believed to be worth about \$7 million over four years.

Mo Vaughn, the Red Sox first baseman, will miss the All-Star Game because of hamstring strain. He was replaced on the roster by Rafael Palmero of Baltimore.

Dean Palmer, the Kansas City third baseman, will miss his first All-Star game after being hit by a pitch in the left elbow by St. Louis's Juan Acevedo. (AP)

Kirsten Makes 210

CRICKET Gary Kirsten was finally out for 210 Friday as his team tightened its grip on the third test against England in Manchester. Kirsten's innings, the longest in South African history, provided the backbone of a total of 487 for four at close on the second day. (AP)

Davies Shares Open Lead

GOLF Laura Davies of Britain shot a three-under-par 68 to earn a share of the first-round lead with Kim Williams of the United States at the U.S. Women's Open.

Davies hit mainly three-irons off the tee on Thursday and matched her career-best U.S. Open round with four birdies and one bogey at Blackwolf Run in Kohler, Wisconsin. (Reuters)



Laura Davies teeing off on No. 17 at the U.S. Women's Open.



Jim Henman returning a shot to Pete Sampras on Friday.

Sampras and Ivanisevic in Final

American Cruises Past Henman, While Croatian Outlasts Krajicek

By Jennifer Frey
Special to the Herald Tribune

WIMBLEDON, England — Goran Ivanisevic was laughing and looking up at the heavens when he first reached match point in his Wimbledon semifinal on Friday, his tongue hanging out of his mouth and his head clearly in the clouds. At the time, it was still mid-morning: the sun bright, the crowd restless, and the second Wimbledon semifinal — between the American Pete Sampras and England's own Tim Henman — so tantalizingly close.

Ninety minutes and 31 games later, his large body now casting a late-

afternoon shadow across the Centre Court baseline, Ivanisevic whipped off his bandana, dropped to his knees and screamed at those same heavens in relief. After blowing a two-set-to-one lead, and squandering two match points in the fourth set, Ivanisevic finally finished off Richard Krajicek of the Netherlands 6-3, 6-4, 5-7, 6-7 (5-7), 15-13.

Throughout the incredible marathon, Sampras and Henman sat in the players' locker room in nervous anticipation, waiting and wondering when their time would come. And, once it did, Henman made a gallant, though unsuccessful, attempt to unseat the world's No. 1 player and give England a shot at its first Wimbledon champion in 62 years.

With both competitors playing strong serve-and-volley games, Sampras fended off Henman's challenge to take a 6-3, 4-6, 7-5, 6-3 victory and earn a berth Sunday in the final against Ivanisevic.

"It was a tough match, it really was," Sampras said, in a television interview immediately after the match. "He's a good friend, and I know how important this was. He's going to learn from this match. He's only 23. I'm sure he's going to come back here many more times."

"O.K., it's 40-15, I'm serving O.K." Ivanisevic told himself. "Now I'm going to hit another good serve."

He did, only Krajicek came up with a fantastic return.

So Ivanisevic walked back to the baseline again.

"No problem," he told himself, "40-30."

Sampras won the match on a 134-mile-an-hour ace down the middle, then calmly walked to the net to shake hands with Henman, as both players were fiercely applauded by the crowd.

Now poised to play for his fifth Wimbledon title and 11th Grand Slam crown, Sampras did not bother with any exaggerated celebrations — he knows well that there is more work to be done.

Ivanisevic, by contrast, threw his bandanna, his racket, his towels and anything else he could find into the crowd after finally defeating Krajicek to earn his third shot at the Wimbledon title he has yet to claim.

A loser to Sampras here in 1994 and to Andre Agassi in 1992, Ivanisevic, a Croatian, is routinely referred to as "the greatest player never to win a Grand Slam."

The fans applauded him warmly, slowly emerging from the numbness that seemed to settle over everyone during the long, agonizing fifth set. Like Ivanisevic, the crowd thought that match was over — and Henman was on his way — when Ivanisevic stepped to the line with a 5-4 lead and double match point in the fourth set.

Then, Ivanisevic let loose with a fierce serve that he — and Krajicek — thought was an ace, but the electronic beeper went off to indicate a let. Krajicek, who was already walking to the net to shake hands, turned as both players returned to their respective baselines — Krajicek smiling in relief and Ivanisevic smiling and laughing and looking up at the sky as if he wanted to say, "Why? Why?"

"O.K., it's 40-15, I'm serving O.K." Ivanisevic told himself. "Now I'm going to hit another good serve."

He did, only Krajicek came up with a fantastic return.

So Ivanisevic walked back to the baseline again.

"No problem," he told himself, "40-30."

Then he double-faulted. Then he got nervous. Then Krajicek hit a winner, then a passing shot, then he held serve, then the match went to a tiebreaker.

"I still kept my mind there," Ivanisevic said. "I had a chance in the tiebreaker, then the fifth set was just a horror-thriller."

Krajicek broke Ivanisevic to go up by 3-2 in the fifth set; Ivanisevic immediately broke back, and, from that point, the match played like some sort of mechanical exercise. There were no more break points until the decisive game — only once did a game even go to deuce — as Krajicek served up ace after ace after ace, and Ivanisevic pounded serve after serve after serve to Krajicek's weak backhand, then moved in for the volley.

Krajicek served 23 aces in the fifth set alone, and had 42 for the match, putting him four shy of the Wimbledon record. Ivanisevic finished with just 28, a relatively low number for a man who led all of Wimbledon with 133 aces coming into these semifinals, but this match was not about his serve, it was about his famously fickle head.

"That's strange, you know," Ivanisevic said, when asked how he kept his temper. "But I think, if I lose it for just a second, I lose the match. I don't think anybody bet on me when I lost the fourth set. Everybody said: 'Maybe it's going to be 6-2, maybe 6-3. He's gone. He's going to lose it.'"

Ivanisevic got a chuckle with that comment — he knows his own reputation well — but Krajicek did not necessarily agree. Forced to serve from behind throughout the long fifth set, Krajicek felt that Ivanisevic managed to stay looser, and more relaxed, because of the advantage of serving first. And it didn't shock him at all when Ivanisevic finally broke him in the 28th game of that set.

"I'm not very surprised," Krajicek said. "That's Goran. The only thing predictable about Goran is that he's unpredictable."

Braves' Maddux and Red Sox' Martinez Work Their Magic

The Associated Press

Greg Maddux and Pedro Martinez bolstered their bids to become the starting pitchers in next week's All-Star Game.

Maddux, 12-2, the winningest pitcher in the majors, struck out eight and walked one to strengthen his case for the NL starting job in Denver on Tuesday.

"He was throwing the ball where he wanted right from the start," said the

Marlins' 10th man, Ken Griffey Jr.

For the fourth consecutive game, hitting his league-leading 35th and tripling as Seattle beat Colorado. Russ Davis also homered for the host Mariners, who hammered Daryl Kyle (5-11) with 10 runs in the first two innings.

Orioles 5, Marlins 2: Rafael Palmeiro homered for the fourth consecutive game, raising his total to 26, and Baltimore stopped its eight-game losing streak. Sidney Ponson (2-6) allowed two runs in six innings to help the host Orioles win their first game since June 22.

Pirates 5, Tigers 2: Esteban Loaiza limited Detroit to a run over 7 2/3 innings and helped himself with a run-scoring single as Pittsburgh ended its four-game home losing streak.

Red Sox 15, Expos 2: Martinez (11-2) pitched two-hit ball for six innings as Boston routed Montreal at Fenway Park. He was lifted as a precaution after the Red Sox scored six runs in the fifth and four in the sixth to take a 14-0 lead.

Devil Ray manager, Larry Rothschild. "That's what makes him what he is."

Maddux, 12-2, the winningest pitcher in the majors, struck out eight and walked one to strengthen his case for the NL starting job in Denver on Tuesday.

"I'm getting a lot of runs," Maddux said, explaining his recent success. "I've had a lot of games where I've had six or more runs, and that helps."

Keith Lockhart homered twice for Atlanta.

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Mets 9, Blue Jays 1: Mike Piazza

"He had two long innings in a row" in the dugout, said the Red Sox manager, Jim Williams. "It's not that he had thrown a lot of pitches. We just wanted to protect our investment."

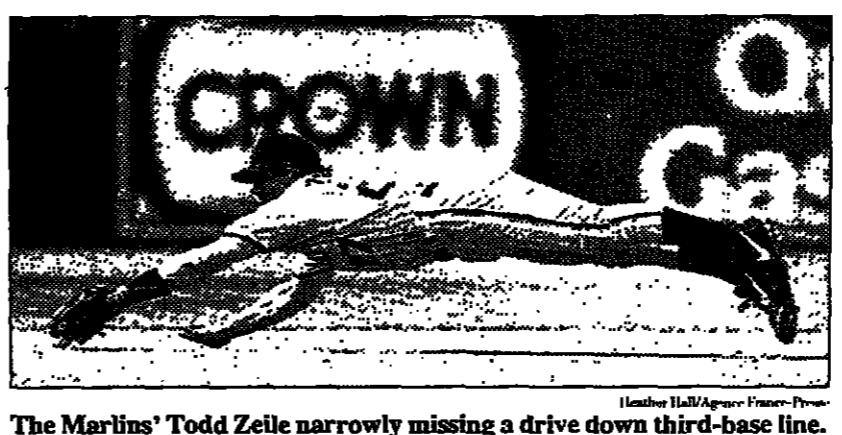
Martinez, probably competing with the Yankees' David Wells for the American League starting berth in the All-Star Game, struck out five and walked none against his former team. He retired the first 13 batters and left with the huge lead after throwing only 67 pitches.

Marlins 10, Rockies 2: Ken Griffey Jr. homered for the fourth consecutive game, hitting his league-leading 35th and tripling as Seattle beat Colorado. Russ Davis also homered for the host Mariners, who hammered Daryl Kyle (5-11) with 10 runs in the first two innings.

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The Marlins' Todd Zeile narrowly missing a drive down third-base line.

homered, and Bobby Jones (7-5) allowed five hits over eight innings as New York salvaged the last game of the three-game series at Toronto.

Indians 7, Brewers 2: Jim Thome hit a two-run homer, and Bartolo Colon won his fifth straight start and had his first major league hit for Cleveland at Milwaukee.

White Sox 4, Astros 3: Magglio Ordonez hit a three-run double in Chicago's four-run fourth inning as the White Sox avoided a sweep at Houston. James

Baldwin (3-3) and two relievers combined on a five-hitter against the Astros, who got 30 hits in winning the first two games by a combined score of 27-6.

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White Sox 4, Astros 3: Magglio Ordonez hit a three

World Cup

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SATURDAY-SUNDAY, JULY 4-5, 1998

WORLD CUP BRIEFS

English Fan Faces Murder Charge

A 43-year-old English supporter was arrested Friday on suspicion of having stabbed to death a Frenchman in a train on Tuesday, the day of England's World Cup defeat at the hands of Argentina.

Paul Birch, an engineer from London, is not listed as a known hooligan but has confessed to stabbing the Frenchman in a Lyon-bound train as it pulled into Saint-André-le-Gaz station in the south-eastern Isère region, police said.

French police said Birch appeared to be mentally deranged.

Birch apparently stabbed Eric Frachet, a 33-year-old actor, because Frachet smiled at him.

Birch reportedly thought Frachet was an Argentina fan who was making fun of him before the second round match between England and Argentina in nearby Saint Etienne.

Birch stabbed Frachet in the stomach, then fled when the train pulled into the station.

Birch was detained Wednesday night after a fight in a Grenoble hotel involving the night porter. Police later connected Birch to the murder. (AP)

• Some 64 people are in prison on World Cup related charges, the French Interior Ministry said Thursday. Of these, 38 have been convicted and jailed for terms between one week and two years. Twenty six are awaiting sentencing. (Reuters)

Lyon Adds 700 Police

The city of Lyon has drafted 700 extra police officers, including 18 German "spotters," and imposed a partial alcohol ban ahead of the World Cup quarterfinal Saturday between Germany and Croatia.

"It's the quarterfinals, the weekend, the start of the holiday period, so it's quite likely that there will be a few dozens, a few hundreds of people posing a threat," said prefect Michel Besse, the government's representative for the region. (Reuters)

Replacement Is Fired

Ali Selmi, who took charge of the Tunisian World Cup squad after coach Henry Kasperczak was dismissed during the World Cup, was himself dismissed on Friday.

Selmi replaced Kasperczak after Tunisia lost its first two matches. It drew, 1-1, with Romania in Selmi's only match in charge, but he was fired, along with deputy coach Ali Rached after a meeting of the Tunisian federation. (Reuters)

Cameroonians Sue FIFA

The Cameroonian cultural association in Paris is suing FIFA, the governing body of world soccer, over a disallowed goal during a World Cup match against Chile.

The association claims that the "inexcusable mistake" by referee László Vágner in disallowing François Omari Biyik's goal unjustly eliminated Cameroon.

"We don't look at this in the terms of the sport, but in terms of civil responsibility," said Michel Tapie, the lawyer for the Cameroonian association.

"We consider the referee is a FIFA official, the FIFA being the civil party responsible for the damaged suffered."

The association is suing for 300,000 francs (\$50,000) for financial losses and 100,000 francs for emotional distress. (AP)

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Francesco Moriero, the Italian winger, leaping to volley the ball past Bixente Lizarazu, the French full back.

SOCER: France Squeezes Past Italy on Penalty Kicks by 4-3

Continued from Page 1

Bixente Lizarazu and Italy's Demetrio Albertini had both been stopped by the goalkeepers earlier. But after the French defender Laurent Blanc beat Gianluca Pagliuca to give France a 4-3 advantage, Di Biagio, the last of Italy's five designated penalty shooters, walked forward to try to keep Italy in contention.

Most of his teammates were stretched out on the ground at midfield. Most of the French were on their feet, although France's star playmaker, Zinedine Zidane, was on his knees with his arms locked behind his back as if he were serving a penitence.

Zidane had already been forced to miss the last two games for France after receiving a red card against Saudi Arabia and despite all his ball-carrying skill and vision, he had been unable to produce a goal against the Italian defenders he faces so often in the Calcio.

But Zidane's penitence would soon be served. Di Biagio, a 27-year-old late bloomer who plays for Roma, jogged forward, struck the ball with his right foot toward the middle of the goal.

Barthez, the bald, bearded and bold French goalie, had guessed wrong and dived to his left. The crowd of 80,000 was screaming too loudly for anyone but Barthez and Di Biagio to hear the sound of the ball striking the crossbar, but a groan was surely heard all across Italy and a roar across France.

"If I'm not mistaken, this is the third time in World Cup history that we have

been eliminated this way," Maldini said. "Perhaps we are cursed a little bit, but I'm proud of my players. They gave everything."

The French, meanwhile, advanced to the semifinals. This will be France's fourth chance to get beyond that stage, having failed in 1958, 1982 and 1986.

The pivotal player for France in 1982

and 1986, Michel Platini, is now president of the World Cup organizing committee, and he watched the match Friday from the stands with the French president, Jacques Chirac, at his side.

What the two presidents saw was a French team with a remarkable back line and a remarkable midfield, led by Zidane, but a problem putting the ball in the net. Since taking over the French team in 1994, Jacquinet has been searching for strikers capable of capitalizing on the opportunities that Zidane and the midfield are so adept at creating.

France scored nine goals in its three group matches, but has managed only one in its last two matches against the Paraguayans and Italians.

On Friday, despite Jacquet's decision to leave striker Thierry Henry on the bench and start another defensive midfielder, Christian Karembeu, the French pushed forward from the start.

They had two good chances in the first six minutes, but Pagliuca deflected a tightly angled shot from Zidane and then pushed a fine shot from Emmanuel Petit over the crossbar. The best French chance came at the end of the first half when Youri Djorkaeff found himself

alone in front of Pagliuca, his teammate at Inter Milan, but shot wide.

There were many such reunions on the field Friday. During regulation, Zidane was marked by Gianluca Pessotto, his teammate at Juventus of Turin, and in the first half, there would be a forceful collision between the French defender Marcel Desailly and his AC Milan teammate, Alessandro Costacurta.

In all, 11 of the 22 players on the French roster have played or are still playing in Italy, and it is clear that the likes of Desailly, Lilian Thuram and the French captain, Didier Deschamps, have learned in Italy. The French no longer play like the "Brazilians of Europe," as Platini's generation was dubbed. They defend superbly, and on Friday they won

alone of the duels against the Italians.

But time dragged on, the Italians, who have long made a habit of winning ugly, began to re-establish themselves, and near the end of the first period of overtime, they had an excellent chance to make this huge stadium suddenly quiet. But the volleyed shot of Roberto Baggio, who had replaced an ineffective Alessandro Del Piero in the 67th minute, would fly wide left of the goal, and the crowd roared on.

France had not lost to Italy in 20 years — not since the 1978 World Cup in Argentina.

"It seems to me that based on the whole of the match, we deserved to get through," Jacquet said. "Penalty kicks are a matter of sang-froid, and we kept ours. Once again, the best team won."

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In Shadow of Stade, France's Hidden Face

Algerian Immigrants, Priced Out, Have Hero in Zinedine Zidane

By Rob Hughes
International Herald Tribune

PARIS — Between the Peripherique — the highway that encircles Paris — and the new Stade de France, there are a dozen Algerian restaurants, cafés and bars. In each, you find followers of Zinedine Zidane, the French-Algerian hero of two nations. But no one knows any Algerian who has a ticket for the stadium where Zidane returned to the French team on Friday after a two-game suspension.

"All of us are like Zidane — before he had money," said Khedidja on the morning of the match against Italy. Be-

VANTAGE POINT

hind the counter of her café in Avenue du President Wilson, this woman who left Algeria for France 24 years ago, describes the meaning of Zidane to her life and her family.

"He is so close to our feelings, he represents us," she said. "From here we can hear the crowd, we watch only on the TV. But when Zidane is playing, I feel more French than the French."

Her little boy, Karim, 7, was preparing to watch Friday's game against Italy, the first he would view even on television since his idol was sent off.

"He shouted bad words at the referee," said his mother of the moment Zidane had been red carded for stomping on a Saudi Arabian player, also in the Stade de France. "Karim's too young to know the politics of why Zidane did what he did, but he just wouldn't want France again until Zidane came back to the field."

The politics? Wasn't it just petroleum, an overpaid star kicking out in a fit of pride?

"No, no, no!" exclaimed the mother. "I called my family, my mother and her in Algiers, and they told me there was a story in an Algerian newspaper that this was the revenge of Zinedine."

Revenge?

"Of course, we are Kabyle," she said, referring to Berber-speaking people from the mountains of Algeria, "we don't appreciate extremes, and the Saudis are fanatical Muslim, so it was revenge."

The menfolk around the bar nodded. Here in Saint-Denis live some 3,000 of the 3 million Algerian immigrants in France. More often than not it is a very basic existence, close to poverty. The Stade de France is at once a site that brings their famous cousin to their doorstep, and an abominable extravagance of French state spending that will cost each of them extra taxes for as far into the future as this case.

On the walls of this café are pictures of home. There is a photograph of Khaled, an Algerian singer, and little persuasion is needed before a tape of his

music is put into the recorder. There is another photograph of Omar Sharif, an Egyptian, and inevitably Zidane.

But pride does not pay the bills.

"There are 3 million people unemployed here," says a Frenchman finishing his meal in the café. "So why put so much money into a stadium, which will be used only for this World Cup and then becomes our liability?"

Stade de France, visible from their homes, cost \$200 million, and the residents claim their tax rates will increase by 5 percent this year, next year and every year. God knows, they sigh, when we will ever get inside.

And then there is the boulevard, built to take the soccer followers to the stadium, and to whisk them away before they might stop in their cafés.

Step outside the restaurants of Avenue du President Wilson, and a huge Adidas poster, bigger than the houses, is fixed simply with one face: Zinedine Zidane.

"This," says Khedidja, "helps us to accept the cost of everything. We can look out of the windows and see him, it is an enormous feeling of pride. The cartoon rouge, if he did it for what the paper said, isn't a disgrace. He has dignity, you know ... really!"

Her eyes are smiling. She senses that a stranger can see the pride, the state of belonging, can even feel with her the sensation that Zinedine Zidane's place in French society takes her closer to the heart of the matter.

She also knows that Michel Platini, the figurehead to this gigantic event, was a cult figure whose roots were brought out by this contest.

Platini's father, Aldo, is Italian. That is where he got his love of soccer. And he stood Italy between France and the fulfillment. The discussion in the café somehow moved to immigrants, to the movements of populations, and the role soccer has in that.

"There are 20 percent in this country who are non-French," says a youth at the bar.

"Yes," counters Khedidja, "and there are 100 percent of Americans once they got the Indians out. My son, Karim, if he plays football like Zidane or like Platini, he will be French born and bred."

Like Zidane, in fact. For while he and his brother Farid learned to kick a ball on the streets of La Castellane, a district of his hometown, Marseille, not unlike this area of Saint-Denis, all France was comforted by his comeback in this weekend.

A final shot in the café, like a penalty shot, ended the debate.

"Are there too many foreigners in Paris?"

"Yes," came the reply, "11 Italians too many!"

Rob Hughes is Sports Correspondent of The Times of London.

For Those Down on the Field, the Ties Very Often Run Deep

Vantage Point / GEORGE VECSEY

the tunnel together, perhaps to exchange shirts with identical No. 9 on them.

This was not some instant friendship sprung from 90 minutes of soccer. These two men from Latin America spent most of the year in Milan, where they both play up front for Inter.

Eleven of the 22 French players have worked in Italy, and they graciously praise that country for their soccer education.

"In Italy, every Sunday is a championship, and every Wednesday is a European Cup," said Zinedine Zidane of France, who plays for Juventus of Turin.

"All the French players who played outside the country have brought something back with them," Zidane said. "Myself, I learned to win with Juventus. Today I have only one wish to win with the national team of France."

Another French player who works in

Italy is Youri Djorkaeff, the artistic shotmaker for Inter. On Friday, he ran into Giuseppe Bergomi, the quiet Zio Beppe (Uncle Joey) of Inter, who has been pressed into duty as the Italian sweeper because of injuries, and Gianluca Pagliuca, the winner of the Dean Martin Look-Alike Contest, who minds the goal for Inter and Italy.

"He's a good pal, but on Friday he will become my enemy for 90 minutes," Pagliuca told L'Equipe, the French sports daily.

Pagliuca swung an ugly elbow at an opponent during the first round, while Djorkaeff and all attackers know how to deliver nasty little kicks to the head and body of a goalkeeper sprawled for the ball, but there are limits.

"I won't insult Chilavert before the Paraguay game," Djorkaeff said, referring to the burly goalie, Jose-Luis Chilavert. "That time, I wanted to create a spirit of

revolt, to provoke him."

Actually, Djorkaeff has been provoking Pagliuca on the long rides to the old Italian city-states during the grueling Serie A season.

"I love to light up Gianluca, gently," Djorkaeff said. "I've played against Italy twice and scored twice, both when he was the keeper. He tells me I was lucky both times."

Many other players in this World Cup have labored in Spain or England. When Real Madrid won the Champions Cup in May, Predrag Mijatovic of Yugoslavia scored the winning goal and later came off for Davor Suker, who plays for Croatia. The history of their two nations is full of grief, but Mijatovic and Suker are family friends.

Yugoslavia has been eliminated, and Suker made the penalty kick to beat Romania the other day.

When Argentina plays the Netherlands in Marseille on Saturday, Javier Zanetti of Argentina may cross paths with Aron Winter, the savvy Dutch midfielder, his teammate from Inter.

When Peter Schmeichel, the towering Danish goalkeeper, was wielding his body as a weapon against Brazil on Friday, he already knew many of them from European games with Manchester United.

There is a history to this cross-pollination. Michel Platini, the co-president of the French organizing committee for this World Cup, had six superb seasons playing for Juventus. Despite his family's roots in the Piedmont section of Italy, Platini did not speak Italian when he arrived.

"We played cards, we are together, we visited each other's homes," Platini said this week. "If my socks didn't match my shirt, Claudio Gentile or Marco Tardelli would get on me about it."

In 1986, Platini scored a goal for France in a 2-0 quarterfinal victory over Italy in the World Cup in Mexico. A few weeks later, he and his Italian pals were replaying the game during Juventus' road trips to Naples or Florence. If only the fans could bounce back so easily.

Worldwide coverage
of the World's Daily Newspaper
Herald Tribune

Comprehensive yet concise, informed yet impartial, the affairs of the world unfold on the pages of the World's Daily Newspaper.

After Cup, The Dutch Will Again Be Strangers

The Associated Press

MONTE CARLO — Yet again, the lure of bigger paychecks — and bigger audiences admiring the players' skills — is draining the Netherlands of the cream of its soccer talent.

With at least two transfers likely to be finalized before next season, only four of the 22-man Dutch World Cup squad are expected to play in the Netherlands come September.

The phenomenon is nothing new. The list of past Dutch exports is long and illustrious. Johan Cruyff, Marco van Basten, Ruud Gullit and Frank Rijkaard are just a few players who made their names and fortunes in foreign leagues.

"For top players, salaries in the Netherlands are about the same as in bigger countries, but the tax system is different," said Paul Onkenhout, a soccer writer with the Dutch daily *De Volkskrant*. "In Italy and England, players keep twice as much money after tax."

Of the current crop of Orangemen, just Edwin van der Sar, Frank de Boer, Wim Jonk and Andre Ooijer look certain to be playing in the Dutch Honor Division next season.

Jonk is nearing the end of his career; Ooijer is just beginning his, and nobody expects Van der Sar or De Boer to stick around too long.

Earlier this year, the De Boer twins suggested the introduction of tax breaks for top soccer players as a way of keeping them in the Netherlands. The government rejected the idea.

Now Ronald is almost certain to quit Ajax, and England's Arsenal is reportedly the most likely club to sign him.

Also likely to leave is Feyenoord Rotterdam's Giovanni van Bronckhorst, who is expected to sign with the Glasgow Rangers — coached by the Dutchman Dick Advocaat.

Frank de Boer wants out, too, but Ajax Amsterdam refuses to sell him yet. "I could go to three or four clubs immediately, but I have signed at Ajax and they won't let me go," De Boer said.

But it is not just money that takes players out of the Dutch League.

"They get bored," Onkenhout said. "It is no challenge playing against KKC Waalwijk, or Volendam," two teams often to be found near the basement of the Dutch Honor Division.

"The players want to perform on the biggest stage," he said. "Also, you do not improve as a footballer playing for years in the Netherlands."

De Boer and his Ajax teammates past and present almost always play in the Champions Cup. But the players say they crave week-in, week-out challenging opposition, and that is not available in the Netherlands.

As a result, they seek stronger opposition on foreign fields.

Gius Hiddink, the Dutch national trainer, who himself played in the United States and coached the Spanish club Valencia, says the change of scenery improves the players. He said his squad had significantly improved "since two years ago because so many players were in foreign clubs."

"Now they have experienced different clubs, different cultures," he said. "That pays back into the national team."



Patrick Berton/Agence France Presse
The Dutch midfielder Philip Cocu in Roquebrune Cap-Martin, France, near Nice, where his team trains.

Croats: First-Timers, but Hardly Rookies

By Amy Shipley
Washington Post Service

new watershed in the history of Croatian football."

PARIS — No team sits more conspicuously among the World Cup quarterfinalists than Croatia, the team with the distinctive red-and-white chessboard jerseys and a World Cup history that extends no farther back than June.

In a tournament famous for rewarding

experience and denying underdogs,

Croatia has squeezed into a final eight

that includes the World Cup heavy-

weights Italy, Argentina, Brazil and

Germany — Croatia's opponent in Sat-

urday's quarterfinal in Lyon.

Germany has advanced this far seven

times dating back to 1938. The Germans

own three World Cup championships.

The Croatians have not even played

three significant tournaments — let

alone win any — since gaining independence

from Yugoslavia six years ago. For the

Croats, every victory qualifies as a his-

toric achievement.

Coached by a man with a passion for

cigarettes, chocolate and superlatives,

the Croatians have already advanced

further than any rookie Cup nation in 24 years. The last team to reach

the quarterfinals in its first World Cup

appearance was East Germany in 1974

— which explains the elation after

Tuesday's victory over Romania in the

second round, led by Coach Miroslav

Blazevic, who declared the team,

"happy, happier, the happiest."

Davor Suker, the striker who scored

the winning goal, called the victory "a

new watershed in the history of Croatian

football."

Yet this first-time team should not be

equated with other World Cup rookies

like Japan and South Korea, which

bowled out in the first round and will be

co-hosts of the World Cup in 2002.

Croatian players starred on the

Yugoslav national teams dating from

1948, when Yugoslavia won an

Olympic silver medal with 11 Croats on

the roster.

Both Robert Prosinecki, born in Ger-

many to parents with mixed Croatian

and Serbian background, and Robert

Jarni played in the 1990 World Cup for

Yugoslavia.

By the time Croatia gained its in-

dependence in 1992, it had missed the

deadline to enter the qualifying tourna-

ment for the 1994 World Cup in the

United States. International sanctions

prevented Yugoslavia from competing

in that same World Cup. "This is a

dream come true for us," Jarni said

about reaching the quarterfinals.

Prosinecki has said he received death

threats from both Croatians and Serbs as

he mulled over which nation to repre-

sent in international competition.

Prosinecki picked Croatia. In its first

major international appearance, the

1996 European Championship, Croatia

advanced to the quarterfinals — where it

lost, 2-1, to Germany.

Which brings us back to Saturday's

match.

The Germans have shown plenty of

stamina and spirit in this tournament,

rallying to defeat Mexico in the Round-

of-16 and to tie Yugoslavia in the first

round. Led by the strikers Juergen Klins-

mann and Oliver Bierhoff, the Germans

are considered the favorites against

Croatia — perhaps more on the basis of

their experience than pure talent.

For Croatia, Suker is considered

among the elite strikers in the world.

Goran Vlaovic, a forward whose soccer

career was once jeopardized by a major

brain operation, has lined up next to him

because of the absence of the star for-

ward Alen Boksic.

Zvonimir Boban, the temperamental

captain who reportedly once punched a

policeman during a riot after a soccer

game, brings a strong presence to the

pitch.

The Croatians' talent is unquestioned.

But they played inconsistently in the

qualifying tournament before the

World Cup, finishing second to Den-

mark and needed playoff games against

Ukraine to advance.

And the Croatians landed in arguably

the weakest World Cup group, paired

with Argentina, Japan and Jamaica. The

Croats won their matches against Japan

and Jamaica — as expected — but lost

to Argentina.

In the match against Romania, Croatia

passed its first true test. Now, just as

in the European Championship in 1996,

Germany stands in the way.

"Let's not forget that Germany is a

friend of Croatia," Blazevic said. "As

everyone knows, there is nothing

sweeter than beating a friend."

The Germans have shown plenty of

stamina and spirit in this tournament,

For U.S., Sad Showing Won't Stunt the Game

Future Hopes May Reside in Familiar Face

By Ian Thorsten

International Herald Tribune

BOSTON — Last week after a World Cup game in Marseille, a French teenager tried to convince me that America had "no business" trying to play "football" — baseball yes, basketball absolutely, but soccer never. No doubt he was speaking for the majority of soccer supporters in Europe.

There is a feeling that this is their sport, and it's not for America to water it down, suburbanize it and make the weekend at the football ground a sanitized family outing. The larger world is

and Iran. Over the last four decades, the United States has played in 10 World Cup matches and scored five goals. Its only World Cup victory came in 1994, in its home stadium in Los Angeles, against a Colombian team that received highly credible death threats by fax on the day of the game and that supplied the Americans with an own-goal.

On one point, the elder American players had a right to be angry this year. Coach Steve Sampson naively chose a relatively young and inexperienced team that did not fairly represent the hard-fought improvements won by the likes of Alexi Lalas, Eric Wynalda, Tab Ramos, Marcelo Balboa and others.

The coach failed to understand — failed to respect — the fighting spirit of these pioneers. When Sampson released John Harkes, the 31-year-old team captain, he did so believing that he could replace Harkes with a more talented and less troublesome player. But Sampson failed to replace the presence of Harkes — to fight to contest every 50-50 ball, to tackle hard and to energize his teammates to do likewise.

In the end, Sampson never quite replaced Harkes and his benched peers, who for the last decade have been the inspirational engine of U.S. soccer. In their absence this American team was soft. It might have been different if Sampson had realized that the Americans couldn't compete with true footballing nations on the sole basis of talent. He should have sacrificed talent at a couple of positions in order to instill his team with more tenacity and fight.

All of this is just an opinion. In truth, it is irrelevant. What matters most is what Sampson thinks of all of this.

SAMPSON resigned as the U.S. coach on Monday and later talked about coaching in Mexico or a Central American country. Let's hope he does. He is only 41. He should go far away where he won't have to defend his policies in this World Cup. He can take whatever lessons he feels he has learned from this experience and apply them in other environments. He can grow.

In the meantime, the U.S. Soccer Federation will continue to hire other coaches. The foreign coaches will probably never quite understand the singularity of American athletes and therefore will fail.

And then, 10 to 12 years from now, I hope that Sampson will return. He can become the first great American soccer coach — provided he is harsh and honest with himself in learning from the last few months. This tournament proved that the culture of American soccer runs no deeper than the experiences of each player. In real soccer countries, the players share similar footballing backgrounds. In America, it's not that simple. Remove Lalas or Ramos from the team and you remove part of the culture.

Among U.S. coaches, the culture is especially shallow. None of the coaches raised in the parochial American collegiate system can possibly understand how to bear the rest of the world at their own game. The one exception is Sampson. He was meant to fail this time. What matters is how he applies this experience in the future. The best hopes of U.S. soccer reside in him.

Ian Thorsten is a senior writer for Sports Illustrated magazine.

World Cup Results

QUARTERFINALS

JULY 3, IN ST. DENIS
France 4-3 Italy
France won 4-3 on penalty shootouts.

JULY 3, IN NANTES
Brazil 2-0 Denmark

JULY 4, IN MARSEILLE
Croatia 2-1 Argentina</

DAVE BARRY

When Icons Go Postal

Miami — If you asked me to name the three scariest threats facing the human race, I'd give the same answer that most people would: nuclear war, global warming and Windows. So I was happy to learn that the federal government has decided to protect me from Microsoft.

Sometimes, when we face a really huge threat, we need the government to protect us. This idea was dramatically dramatized in the recent movie "Deep Impact," which you might have missed because it was in theaters for only 15 minutes before spontaneously mutating into rental videocassettes. The plot is that the astronomy community — which I sometimes wish would just leave us alone — announces that a comet is hurtling through space on a course that will cause it to smash into the Earth right before the end of the movie and destroy all life on the planet, which consists primarily of actress Tea Leoni.

Our nation's leaders recognize that the comet is (1) the greatest danger the human race has ever faced, and (2) unlikely to make large campaign contributions, decide to destroy it by launching a rocket containing Robert Duvall. This tactic always worked for Marlon Brando in "The Godfather," but it seems to have failed this time, and when the world appears to be doomed, U.S. President Morgan Freeman, conveying sincerity by means of eye bags the size of catcher's mitts, announces that the government has a plan to save 2 million people who have been determined, by totally objective means, to be worthy of survival, including: top government officials, doctors, relatives of top government officials, movie extras, scientists and Monica Lewinsky. The plan is that these people will spend two years in a cave in Missouri, along with precious artifacts of American culture and, presumably, a huge quantity of deodorant.

But just when all appears to be lost, Robert Duvall manages to destroy most of the comet. All that's left is a small piece that falls harmlessly into the Atlantic Ocean, after which a computer-generated wave destroys New York and Washington. So it's a happy ending after all.

But my point is that when we are faced with a threat that we cannot handle ourselves, we depend on our government to protect us. And that's exactly what is happening right now, as the antitrust division of the Justice Department takes on a huge and arrogant monopoly, a monopoly that, by totally dominating its market and ruthlessly eliminating competitors, has left us, the consumers, with no choice but to buy its products and pay whatever inflated price it demands: the U.S. Postal Service.

No, sorry. The federal government wouldn't dare take on the Postal Service, which is heavily armed and recently tested a thermonuclear device. So instead the government is going after software giant Microsoft (motto: "We Have Worked Out All the Bugs").

Microsoft's No. 1 product is Windows, which now comes automatically installed on every computer in the world and many kitchen appliances. Technically, Windows is an "operating system," which means that it supplies your computer with the basic commands that it needs to suddenly, with no warning whatsoever, stop operating. I speak from experience here. Many a time I have spent hours writing a serious and thoughtful

column on an important issue, only to have Windows get into a snit and call a general computer strike that erases all my work moments before deadline, leaving me with no choice but to bang out a highly inaccurate column such as this one.

The big dispute between the government and Microsoft concerns the Internet "browser," which is the piece of software that puts a message on your computer screen informing you that the Internet is currently busy and you should try again later. As you can imagine, the potential market for this service is huge, so Microsoft would like you to use its browser, and not somebody else's. Microsoft can be very insistent about this kind of thing. On my current computer, Windows has created a little Earth-shaped icon on the screen, and if I click it, it tries to get me to sign up for something called the Microsoft Network. The hell of it is, Windows will NOT let me get rid of this icon. I've tried everything, including scrubbing the screen with harsh abrasive cleansers.

So I think the Justice Department should spend however many hundreds of millions of dollars it takes to figure out a way to get this thing off my screen. I also want Janet Reno to appoint somebody — I'm thinking Kenneth Starr — to look into the very real possibility that Windows is cheating at solitaire. Above all, I think the government needs to immediately start constructing caves in Missouri, in case the Postal Service goes postal.

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Name the
three scariest
threats facing
the human race.

A Quiet Town Turns Mecca for Diana Pilgrims

By Sarah Lyall
New York Times Service

GREAT BRINGTON, England — If there were any dissenters here who found it all a bit much — the rush of cars on once quiet country roads, the \$15 commemorative pillboxes, the fresh expressions of grief that made it seem almost as if Diana, Princess of Wales, died last week instead of last August — they were mostly keeping quiet.

"I don't want to talk to you, and I don't want to give my opinion," said one woman, answering the door at her cottage not far from the gates of Althorp, Diana's childhood home. She did agree to sell a jar of homemade honey, though, for £1.50 (about \$2.50). "You should have seen the crowds yesterday. One person was very rude."

The crowds were bound, of course, for Althorp, where Diana's brother, Earl Spencer, opened a \$5 million shrine (and a cafe and gift shop) to her memory on Tuesday. Until the end of August, members of the public who have paid \$16 apiece and ordered their tickets in advance will be allowed to tour the earl's new Diana museum, which rehearses in vivid, sobering detail the now familiar stages of her brief life. (If you haven't bought a ticket already, too bad: They're already sold out for the summer.)

There is an exhibit devoted to Diana's childhood, with grainy black-and-white home movies of Diana at a tea party, Diana on a swing, Diana on her tricycle. There is an exhibit that shows her as the devoted mother of two sons, one the heir to the throne of England. Her larger-than-life wedding dress, all poofy silk and satin frills, is on display here, as are a selection of other outfits. There is also a Christmas card from Prince Charles, a toy rabbit with an ear missing, and some of the books of condolence signed by members of the public when she died. And, at an outdoor clearing, pilgrims can sit quietly and look out across the lake at the



"I'm embarrassed to be here," said Lindy Jamieson, who accompanied a friend to Althorp.

small island that holds Diana's grave.

People who saw the exhibit Thursday pronounced it moving and surprisingly untacky. "It's very tasteful and very aesthetic," said Steven Phillips, an importer and exporter of English and American collectibles from Dallas, who said he was shifting his professional attention to Diana memorabilia.

Most people seemed to approve of the earl and all his works. But here in what has become the epicenter of the Diana grief industry, there were tiny hints of discord. One couple said they were shocked to see that the hundreds of bouquets and notes left Tuesday by the first crowd of visitors had apparently been dumped in a bin that looked

uncomfortably like a huge trash receptacle.

Lindy Jamieson said she was shocked, period. "I'm embarrassed to be here," said Jamieson, a secretary who had come, she said, only because a friend had begged her company and given her a free ticket. "I know Earl Spencer keeps saying, 'Fancy making money out of her death,' but of course he's done it to make money."

Meanwhile, a serious gender divide seemed to be developing in and around the Althorp parking lot, a muddy field. By far the biggest number of the visitors were women, old and young, in groups of two, three and four. The relatively few men accompanying them seemed

to be drastically less fervent about the whole thing.

"I only came to prevent a big fight," said Brent Abbott, a U.S. Air Force production superintendent stationed in Germany, who pronounced the post-Diana phenomenon "a woman thing" that was experienced not by him but by his wife, Belinda.

How could he explain it? "I guess because she's such a strong woman and women look up to her," he said. Mrs. Abbott had herded not just her husband but their two children out of their base in Germany and brought them all the way to Althorp.

Outside the post office, Wilf Daniels, a 68-year-old resident of Chelmsford, tried to account for his own presence in Althorp. "When

you think of it, really, women followed Diana when she was alive," he said. "and most men are much more interested in their own wives than in other women."

Simon Walton, a service engineer from West Yorkshire, was carrying a £70 Althorp trinket box bought by his wife, Samantha. Mrs. Walton, he said, cried when she saw Diana's grave, but he most certainly did not. "Look, I was the chauffeur," he said. "I came to see the house and grounds."

If many men were having a hard time dealing with all these feelings, how was Great Brington itself coping? It was hard to tell.

Many of the residents of the village, once a farming community that is now inhabited mostly by professionals, were at work. Others, at the sight of reporters, rushed into their houses and pulled their curtains across the windows.

But Martin Whaley, the village postmaster, who has emerged as a neighborhood spokesman and who is enjoying a rich trade in special-edition Diana stamps and postcards, said that Great Brington had moved past its earlier fears about the Diana-seeking crowds.

For one thing, with several roads around the village now closed, most people were parking in the designated Althorp parking lot rather than on Great Brington's streets, he said. Nobody seemed to be wandering around looking for a public bathroom, perhaps the village's greatest fear (it doesn't have public bathrooms). And — softened, perhaps, by the earl's gracious one-time-only gesture in waiving the Althorp entrance fee for hundreds of his neighbors last week — the residents generally feel positive toward him, Whaley said.

Of course, the earl owns about 30 percent of Great Brington, including the post office.

"Some people feel strongly about Diana, and some don't really care," Whaley said. "But there it is. We're here, and we have to put up with it."

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FLEEING FROM FANS — Victoria Adams (Posh Spice) and her fiance, the English soccer player David Beckham, outside their New York hotel after the Spice Girls' appearance on the Letterman show.

"Whistle Down the Wind," Andrew Lloyd Webber's first new musical in five years, has opened at the Aldwych in London to mixed reviews 18 months after he pulled the plug on a different

PEOPLE

THE U.S. representative Barney Frank and Herb Moses have split up after 10 years of living together. The first gay couple to function openly in political circles, Frank and Moses are credited with helping to open the eyes of Congress and the public to the equal treatment of gays and lesbians. Frank, 58, declined to say why the relationship was over. The split was amicable, the Massachusetts Democrat said in The Boston Globe, though "recently things changed some." Moses, 41, recently moved out of their home and left an executive position at the Federal National Mortgage Association to open a pottery studio. A staunch defender of gay rights, Frank used his position in the House of Representatives to improve the status of gay and lesbian couples. Moses was the first partner of an openly gay member of Congress to receive spousal access privileges in the Capitol.

version of it that was heading to Broadway. The show marks Lloyd Webber's first collaboration with the Grammy-winning American songwriter Jim Steinman, who worked on the lyrics. The central figure of the musical, which takes place in Louisiana in 1959, is a convict on the run whom several children take to be Jesus Christ.

The French actor Gerard Depardieu has been ordered to stand trial on drunken driving charges following a motorcycle accident in May. He could face up to two years in prison, a heavy fine and a ban from driving for up to five years. Depardieu suffered a fractured leg and a damaged knee after he slid off his motorcycle while taking a curve in a village west of Paris. The police said later that the actor had a blood-alcohol content of 2.5 grams per liter of blood, the equivalent of about 12 glasses of wine and five times the French legal limit.

The former model Christie Brinkley gave birth to a baby girl, her publicist said.

Sailor Lee's proud papa is the architect Peter Cook. Brinkley, 43, has a 3-year-old son, Jack, and a daughter, Alexa Rose, 12, from her two previous marriages.

Francis Ford Coppola won a \$20 million judgment from a jury that decided Warner Bros. stole his screenplay idea for a live-action version of "Pinocchio." Coppola testified tearfully during the trial that the studio thwarted his lifelong dream of making a feature-length "Pinocchio." He said Warner Bros. threatened to sue any studio that tried to produce the movie.

Antonio Banderas is directing his wife, Melanie Griffith, in "Crazy in Alabama," a bizarre black comedy where she plays a woman carrying around the head of her decapitated, abusive husband. "You're not a director when you start a movie, you're a director when you finish it," Banderas said. "And after that I will have to wait several months to see if I'm a good director or a bad director."

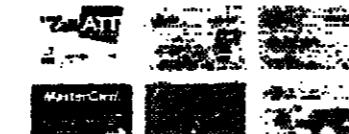


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